



# **GUIDE TO STARTING A BUSINESS IN BARNESVILLE, MN**

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## PREFACE

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The Economic Development Authority and the City of Barnesville have created this guide to assist entrepreneurs in starting or expanding their own business. This guide is designed to provide practical knowledge on various aspects of starting and operating a business in Barnesville. Inside you will find everything from a flowchart with the preferred and most streamlined sequence of steps for starting or expanding your business—specific to Barnesville to a template for articulating your business plan.

This guide is comprised of various local, state, and federal resource providers who offer a variety of programs and services to Minnesota’s start-up and existing entrepreneurs. This guide is most effective when used alongside ‘A Guide To Starting a Business In Minnesota’ which is published by the Minnesota Department of Employment and Economic Development whose guide is *intended to provide a concise, summary discussion of the major issues faced by those starting a business in Minnesota.*

This guide is designed to help aid you in starting or expanding your own business here in Barnesville and although every effort is made to clearly and effectively lead you through the process, it is important to understand the uniqueness of each potential business and realize every road to starting a business is different for each individual.

In addition to Barnesville’s guide and that of the State of Minnesota, it will be a great benefit for you to work closely with the Economic Development Authority of Barnesville, who serves as your primary point of contact with the city as well as Minnesota Small Business Developments Centers (SBDC).

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# ENTREPRENEURSHIP

## *Is it right for you?*

Regardless of what your business idea is or where it comes from, you must step back and take an objective look at what lies ahead. Business ownership is not for everyone and not all business ideas are viable. While many have the motivation and desire for business ownership, many have not taken the time to properly investigate and research their abilities and their business ideas. A careful evaluation of your skills, interests and personal qualities can help you determine the business for which you are best suited. Skills are abilities to use one's knowledge proficiently. Interests are those things that you enjoy doing and that bring you pleasure. Personal qualities are the traits and characteristics that make you unique.

You don't have to be an expert to start a business, but you must have a realistic understanding of your strengths and weaknesses.

- Are you a self starter?
- How well do you get along with different personalities?
- How good are you at making decisions?
- Do you have the physical and emotional stamina to run a business?
- How well do you organize?
- **Is your drive strong enough to maintain your motivation?**

Just as you look at your strengths and weaknesses as a business owner, you must look at the strength and weaknesses of your business idea. Do this before you quit your job, invest your money or spend your time in starting the new business.

When you have decided on a business, answer the following questions:

- Do you have the skills needed to run this business?
- Do you know what help you will need and where you will find that help?
- Do you have the time required to learn what you need to know?
- Can you afford the money to hire staff or pay consultants?
- Are you genuinely interested in this particular business?
- Are you committed to the business's success?
- Are you willing to devote the time needed to develop a successful business?
- Does this business fill an unmet need?
- Is there sufficient consumer demand to support your business?
- Can you effectively compete in the marketplace?
- Will you be able to understand your financial statements such as cash flow, profit and loss, and balance sheet?
- Are you developing a business plan that you can use throughout the life of your business?

To be the owner of a successful business venture, you should be able to answer "yes" to most of those questions.

A successful business owner in Barnesville says...

When starting a business:

- Be honest with yourself and those you deal with
- Be realistic
- Ensure you have the burning desire to own your own business



*On the upside...*

- ✓ *You get to be your own boss.*
- ✓ *Hard work and long hours directly benefit you, rather than increasing profits for someone else.*
- ✓ *Earning and growth potential are far less limited.*
- ✓ *A new venture is exciting! Running a business will provide endless variety and challenge and you won't settle into a dull routine.*

# ADVANTAGES OF LOCATING YOUR BUSINESS IN BARNESVILLE



*The City of Barnesville does not require a permit to operate most businesses. If you're thinking of starting a home based business you will need a Conditional Use Permit.*

## Location

Barnesville is uniquely situated to provide your business the best of all worlds. Immediate access to Interstate 94—only 25 minutes from the Fargo-Moorhead area.

- Central location allows you to serve customers east, west, north and south
  - ✓ two entrance ramps to Interstate 94 within the community
  - ✓ direct access to Minnesota State Highways 9 and 34
- Easy, cost-effective access to supplies and services in Fargo-Moorhead area
- Local airport offers grass runway, plus only 17 miles from Moorhead Airport
- Daily service by Federal Express, Airborne Express, United Parcel Service

## Housing

As a growing community, Barnesville has a wide variety of available and affordable housing within the community to satisfy employees's needs, from entry level to upscale.

- Over the last three years, over 55 new homes have been built in the community

## Recreation

Barnesville's recreational advantages are very important from the standpoint of employee recruitment and retention, In addition to "lake country" being just a few minutes to the east, Barnesville's many parks include the Blue Eagle Lake recreational area. Willow Creek Golf Course is just east of town.

## Education

Barnesville's school system is the top reason people move to the community. Both the elementary school and high school are located within Barnesville and are staffed by dedicated professional educators, administrators and support staff. Programs include foreign language, television production, music, drama, speech and theater; plus a wide variety of athletic programs. This enhances your ability to attract and keep top quality workers.

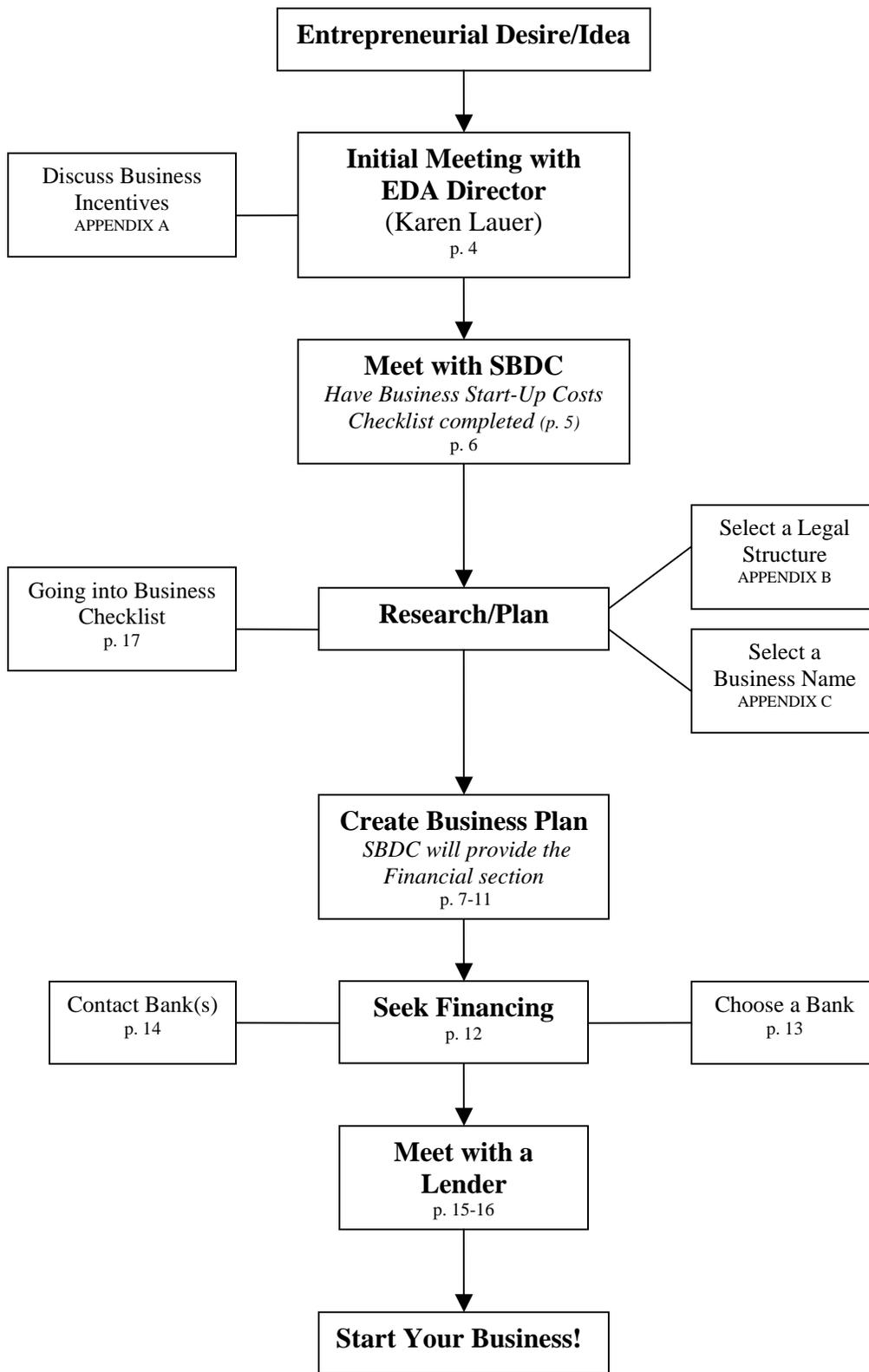
## Quality of Life

Small town America epitomizes quality of life. Low crime, less traffic, buying your gas from people you know on a first name basis... with Barnesville; you, your company and your employees can enjoy that small town quality of life, while only minutes away from a major metropolitan area.

Several Barnesville businesses have found this central location to be very profitable.



# STARTING A BUSINESS IN BARNESVILLE



# INITIAL MEETING WITH ECONOMIC DEVELOPMENT AUTHORITY (EDA)



Key points to take away from this meeting...

- ✓ You will need a minimum of 10-30% in owner equity
- ✓ Start to consider building location – ensure location is properly zoned
- ✓ Collateral policy = 125%

You have already met with the EDA Director and they will continue to serve as your primary point of contact for the City of Barnesville throughout the process of starting your potential business. In this initial meeting, you have presented your business idea to the EDA Director and have determined upon the conclusion of that conversation that you at minimum have a viable business idea, a drive that equals your motivation, a progressing initial business plan, and a general idea of the challenging and exciting road that lies ahead of you.

Other information that the EDA can provide:

- Commercial buildings or portions of buildings that are available for sale or lease
- Land that may be available for sale to construct a new building
- City zoning ordinances that may impact permitted uses, building setbacks, signs, and parking
- Referrals to other agencies that may be helpful depending on your location i.e. MNDOT (Highway access) and Clay County Environmental Services (restaurant requirements)

The two main reasons start-up businesses fail are...

- 1) They are undercapitalized
- 2) They have a weak marketing plan



# BUSINESS START-UP COST CHECKLIST

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- **Legal** – Cost to establish and register the legal entity (such as corporation, limited liability company, limited liability partnership, and partnership)
- **Machinery and Equipment Purchase**
- **Equipment Lease** – Up front costs.
- **Real Estate Purchase**
- **Real Estate Fit Up** – Cost to finish or remodel a building to meet the need of the new business. May include costs for electrical, plumbing, move or add wall, floor covering, wall covering, shelves, etc.
- **Insurance** – Typically the premium is paid in advance at least quarterly.
- **Utilities** – Costs may include deposits with utility companies and/or hook up fees.
- **Advertising** – Some advertising is paid in advance for a full year, such as yellow pages in the local phone book.
- **Inventory** – Cost to purchase initial inventory.
- **Working Capital** – Cash to be used to replace inventory, pay payroll expenses, fund credit extended to customers, and fund operating losses until the business reaches a break even level of gross revenue.



*Actual written cost estimates for equipment or construction are preferred by lenders.*

# MEETING WITH MINNESOTA SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)



*The SBDC will be your primary source for help with your business plan (especially the financial portion).*

Whether you're a business owner looking for ways to expand your business, or you're just starting out, the Small Business Development Centers can help.

SBDC consultants can analyze your business situation and help you develop your tools for growth: a good business plan, financial analysis, a marketing strategy that's right on target. They can also help you identify sources of financing and develop a financing proposal. And, they offer a variety of short, practical seminars to help you stay current and strengthen your management skills.

And, if you just need basic information on where to start, or who to contact, contact the SBDC. They can point you in the right direction for information on regulatory requirements, forms, and more.

Small Business Development Centers are located throughout Minnesota. Their counseling services are **free**, and their training programs are offered at a minimal cost.

## SBDC Contacts

Small Business Development Center  
Minnesota State University-Moorhead  
(218) 477-2289

*For help with Business Plans and Cash Flow Projections, contact:*

James Soncrant  
(701) 371-0186  
jim@jimsoncrant.com

Skip Carpenter  
(218) 739-4541  
skip@prtcl.com

*For help with Marketing Plans, contact:*

Kay Braun  
(218) 477-2391  
braun@mnstate.edu

A former SBDC consultant of 30 years says...

- The earlier you get involved with the SBDC in the process of researching and creating your business plan, the better!
- Focus on **market share** and **cash flow projections** while conducting your research



# CREATING YOUR BUSINESS PLAN

A business plan defines your vision for the future. A well-written business plan is your road map to success! It takes time, energy and patience to develop a satisfactory business plan. However, by getting your ideas and the facts in writing, you will see the strengths and weaknesses of your venture more clearly in time to address concerns.

Your goal is to execute your plan into action. There are four major benefits to developing your own plan:

1. A plan gives you a path to follow. Chart your future by setting goals and defining action steps to guide your business through turbulent economic cycles.
2. A plan lets your banker in on the action. By reading the details of your business plan, your lender gains insight into your situation that will help determine whether or not to lend you money.
3. A plan provides a way to communicate your operations, goals, and business philosophy to personnel, suppliers and you other business contacts.
4. A plan develops you as a manager by making you construct a clear 'blueprint' of your business venture.

## Guide to Writing a Business Plan: Begin with the Basics

### Name of Firm

State the legal name of the business – **SEE APPENDIX C**

### Owner or Owners-to-be

State owner(s) name(s), as well as the form and percent of ownership.

### Information on the Business

#### a) Type of Business

- State the general and specific nature of the business (i.e.; general-energy; specific-oil, solar, wind; or general food; specific bakery, restaurant, catering, farming, ice cream parlor).
- State the type of business (manufacturing, service, construction, wholesale, retail, other).
- State the company's goals and objectives
- Describe your products and/or services and who the final users are (be brief here, because you will be discussing your customers thoroughly under Market Analysis).
- Describe how the product or service is sold to customers (walk-in, stores, sales representatives, mail order catalogs, telephone orders, internet, etc).



*For most businesses the business plan will be about 3-4 pages in length.*

*Don't like to write? There are some great computer software programs that lead you through the process as easy as 1, 2, 3!*

- Describe how and where buyers get your product/service (retail outlet, wholesale, mail, pickup or delivery, etc).
  - Comment on quality of product/service.
  - Estimate average price of product/service.
- b) **History**  
If your business is new, say so. If you have an existing business, discuss age of the company, prior owners, how acquired and length of time operated by you, image or reputation, number of employees, last year's sales volume and profit and any significant events that have affected the company's development.
- c) **Offices**
- State whether rented, leased or owned. If rented or leased, state from whom and under what conditions.
  - Describe type of access of building (major roads, freeways, walking, parking, etc.). Is the location a good one that is convenient to customers?
  - State business hours. State size (square footage).
- d) **Personnel**  
State current and future figures for: number of employees, type of labor (skilled, unskilled, etc.), sources of labor (especially minorities, handicapped, veterans or other socially or economically disadvantaged groups), timing of hiring (or layoffs).
- e) **Economic/Accounting**
- Describe how the business makes money.
  - State how and by whom prices are determined.
  - State what financial records will be kept and who will keep them.
- f) **Production**
- Describe the inventory, raw materials and/or supplies the business uses (initial and continuing).
  - List your suppliers – name, address, type and percent of supplies furnished, and the length of time you have been buying from each, reliability and frequency of purchase.
  - How easy or difficult, how will you deal with potential or actual shortage?
  - Are the prices of your supplies steady or fluctuating? If so, how will you deal with changing costs?
- g) **Legal**
- State form of business (sole proprietorship, partnership, corporation) and status (not yet applied, applied and pending, obtained).
  - State licensing requirements and status (verified, OK, rezoning).
  - State insurance requirements (type, source) and status.
  - Describe compliance with building codes.
  - State compliance with health code requirements.
  - Describe any other laws and regulations that affect the business and the measures you have taken to comply.

- Describe the specifications of your lease, if you have one.
  - Trademarks, patents, license and copyrights should be checked for legality.
- a) **Future Plans**  
 Explain your plans for the future – whether to maintain, expand, diversify, sell, etc.

## Market Analysis

- a) **Customers**
- Define your market and your customers (wholesalers, retailers, consumers, government, etc.).
  - Why does this market need your product/service? Is your product or service a fad or a continuing need?
  - Will it soon be phased out or recreated by new technology?
  - List the characteristics of your average customers: age, location (market area), average income/sales, sex, lifestyle (family or single), employment and other important information. The more you understand about your market, the better you can sell to it.
  - What do customers like and dislike about your product or service?
  - Estimate the size of your market in terms of number of customers.
  - Estimate how much the total market will spend on this or similar products or services in the next year.
- b) **Environment**
- Discuss any external environmental factors (economic, legal, social or technological) that affect your market or product/service. Environmental factors are those that have significant effects on your operation, but over which you have no control, i.e., country growth, rising energy prices, etc.
- c) **Competition**
- Discuss your competition: number of competitors (direct and indirect), type of company (i.e. product or service), location, age, reputation, size (sales or customers), and market share.
  - List major competitors (names and addresses) and discuss their product/service features, price, location/distribution, reputation/image, size (sales or customers), market share.
- d) **Competitiveness**
- Discuss how your product/service meets markets needs and how you compare with the competition in terms of product/service features, location/distribution, price, other.
  - Compare your estimates of the market's demand and the competition's supply.
- e) **Projections**  
 Give your projections in terms of the number of customers, items sold, contracts obtained, etc.



*The easiest way to succeed in business is to understand your competition better than your own company.*

*Capitalize on the competitors weaknesses and build on their strengths!*

**Market Strategy**

a) **Sales Strategy**

- Present your marketing strategy. Tell how you will get the edge on your competition and get customers. This is your action plan to get business.
- Your product/service will sell because one or more of the following is attractive: features, pricing (high, medium or low), distribution system (limited, widespread, etc) and promotion.

b) **Promotion**

- Describe how you plan to promote your product/service: advertising, direct mail, personal contacts, sponsoring events or other (word of-mouth, trade associations).
- If you plan to advertise, state what media you will use: radio, television, newspaper, magazines, telephone book Yellow Pages, and/or other (billboard, etc.). State why you consider the media you have chosen to be the most effective.
- State the content of your promotion or advertising: what your product/service is, why it is attractive, business location, business hours, and business phone number. When you are designing your advertising, remember you are selling to satisfy someone's need. Refer back to your Market Analysis to ensure you've designed your advertising with you target market in mind.

**Management**

- Why have you chosen this type of business? For owners and key management personnel, include the following: resumes, personal financial statements, tax returns for the last three years and personal family budget.
- Describe prior experience that qualifies management to run this type of business. State how much time management will devote to running this business. Discuss local contacts that may assist you.

**Financial** *\*This section is provided by the SBDC Consultant*

a) **Sources and Uses**

- Describe the project to be financed.
- State where the money to pay for the project will come from (sources) and specifically how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory, and working capital.

b) **Statements**

- If the business is an existing one, include business tax returns and financial statements for the last 3 years. Financial statements should include:
  - Balance sheet – Income Statement – Accounts Payable and Aging
  - Debt Schedule – Accounts Receivable and Aging – Reconciliation of Net Worth

- For both existing and new businesses, project the following financial statements for the next 3 years (monthly for the first year, annually for the second and third):
  - Operating/Income Statement with explanation (sales, expenses, profit)
  - Cash Flow with explanation
  - Balance Sheet
  - Break-even Analysis

### ***Not All Parts of a Business Plan are Created Equal***

All points of a business plan deserve your consideration, but admittedly, some deserve more careful attention than others:

- **Marketing** – Nothing is more important than knowing your market. The most innovative product or idea in the world won't make money if its inventor can't find customers for it. The greater part of your planning efforts should go into a market study. Define who you are going to sell to and how you are going to get them to buy from your company.
- **Cash Flow** – At its most basic, a cash flow projection of your checking account. Note that cash flow is not the same as profit. A business with good cash flow may not show profits, while a business showing profits may be in bankruptcy because it has insufficient cash to pay its debts. ***Remember cash, not profits, pays the bills.*** To do a cash flow projection you must understand the movement of cash through your business operation. You need to know starting cash, then estimate cash receipts and cash payments during the period (usually one month). With practice a good manager can forecast cash needs in advance and can avoid being cash starved at critical times.
- **Break-even Point** – The break-even point is that level of sales needed to cover the fixed and variable costs of providing your product or service. Each unit of sales brings in revenue, but also has associated costs. It is important to know the point at which all costs are met and further sales will begin to generate profits.

## SEEKING FINANCING

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

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*It is important to note that past credit problems may create challenges in securing financing for your business.*

*\*Also, be prepared to provide a Personal Net Worth Statement.*

Finding start-up capital for a new business is challenging. Most new businesses are started with initial capital coming from personal savings and other forms of personal equity. Others look to private sources such as friends and family when starting their business ventures.

Venture capital firms provide start-up capital for new companies in exchange for equity or part ownership. This source of financing may be difficult to obtain for service or retail oriented concerns and may involve giving up some control to investors.

Grants are often publicized as a way to get capital. **However, very few grants exist to actually start a business.** They are typically for a narrowly defined purpose and for non-profit businesses.

Banks and credit unions are the most common source of funding. These entities provide financing if you can show a sound business plan and the ability to repay the loan.

It is common for entrepreneurs to reference getting a loan from the SBA to start their business. While the SBA does financially assist with business start-ups it is most often through loan guarantees through local banks. When you meet with lenders be sure to ask them about SBA loan programs in which they participate.

# HOW TO CHOOSE A BANK THAT MEETS SMALL BUSINESS NEEDS

*By the Minnesota Bankers Association*

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As the owner of a small business, finding a bank that is able to meet your financial needs is essential to your business success. How do you determine which bank is right for you, or in some cases, if you are right for the bank? There are several factors small business owners should consider when thinking of establishing a business banking relationship.

## **Assess Your Business Financial Needs**

Ask yourself several key questions:

- What credit (loans) and non-credit products and services (deposit accounts, investments, cash management, trust services, letters of credit) does my business need?
- Is convenience of the bank's location important?
- Is it important for me to have access to the senior management at the bank?
- How much will pricing influence my decision?

Put some thought into what type of financing you will need. Is it for inventory, equipment or real estate? Know how much money you need to borrow and what repayment schedule fits with your business and your business cash flow. Once you have determined what the financial needs of your business are, you will be better able to assess which bank can best meet your needs.

## **Get References**

Check with other small business owners or people in your industry and find out where they bank and whom they suggest. Certain banks serve niche markets and there may be a bank that focuses on your industry.

## **Interview Banks**

When interviewing banks, a good starting place is the bank where you currently do your banking and have a proven track record. Ask whether they have a small business lending department. If not, do they have staff dedicated to serving the needs of small businesses? Lastly, describe your product and service needs and ask how the bank can meet those needs. For example, if your business is involved in international trade, does the bank have international service capabilities?

## **Visit the Bank**

After you have narrowed down your choices, visit the bank and discuss your business needs with them. Be prepared. Have a marketing plan and financial data available—preferably, your business plan. In some cases, your business strategy may not fit into the bank’s marketing strategy. Before you get too far into the credit approval process, find out whether the bank thinks it can meet your financial needs based on preliminary information you provide to them. Ask the bank about its credit approval process.

- Who at the bank will need to approve your loan?
- What is the turnaround time on a loan description?
- What type of financial data will you need to provide to them?
- What is the bank’s in-house lending limit?

It is important for you to find out whether the bank is able to structure the financing so that it meets your business’ cash flow cycle.

Next, find out about the person at the bank you will be dealing with. Are you comfortable with the bank staff? In many instances, you will need to teach the banker about your business. Because of the regulatory environment banks operate in, they must do their “due diligence” in making loan decisions. This requires them to ask you for financial data about you and your business. Find a banker with whom you are comfortable discussing this type of information.

Lastly, businesses experience ups and downs. Ask your banker how the tough times are handled. Banks offer a variety of credit and non credit services to meet the unique financial needs of small business owners. The many products and services offered by banks such as loans, deposit accounts, investments, cash management and international and trust services can assist in furthering your business’ goals. Assessing your needs before choosing a bank will ensure you have selected a bank that is best suited to help you meet your financial goals.

## **Banks in Barnesville**

### **Wells Fargo Bank**

202 Front Street North  
Barnesville, MN 56514  
(218) 354-2201  
[www.wellsfargo.com](http://www.wellsfargo.com)

### **Midwest Bank**

215 Front Street South  
Barnesville, MN 56514  
(218) 354-2704  
[www.midwestbank.net](http://www.midwestbank.net)

# MEETING WITH A LENDER

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To be successful in obtaining a loan, be prepared and organized.

## Before Meeting with a Lender

- Ask for a loan application.
- Make an appointment
- Rehearse your presentation.
- Remember, your first customer is the lender! Before you sell anything, you have to first convince the lender that your business concept has merit.

## Lenders often analyze the “Six Cs” in loan requests:

1. **Character** – Resumes and references are checked to see if management has the experience and determination necessary to successfully run the business.
2. **Credit** – Personal and business credit reports are reviewed to see if the individuals are willing to repay debts. This is also an indication of the individual’s character
3. **Capital** – How much money are you putting into the deal? Lenders will not finance 100% of your business. You should expect to put in 20-40% (but no less than 10%) of the project.
4. **Capacity** – The ability of the business and management to operate at a level sufficient to make debt payments.
5. **Collateral** – Assets pledged to secure the loan. This will include business as well as personal assets.
6. **Conditions** – Outside influences that will affect the business such as the local economy and competitors.

Most importantly, does the business have sufficient cash flow to make the monthly payments on the loan request? If not, is there a secondary source of funds available to service the debt?

## **When Meeting with a Lender**

- Dress properly and be on time.
- Bring your business plan, a completed loan application, and any other materials you need including:
  - ✓ Personal Worth Statement that is current up to 90 days
  - ✓ 3 years of income tax returns
- Be strong and positive.
- The entire presentation should take about 30 minutes. Give an overview at the beginning. Know how you are going to end your presentation.
- Ask your lender to take a tour of your current or proposed operation.
- Answer all negative questions with positive answers. Be willing to back up your answers and never lose your temper.
- Find out when you can expect an answer.
- Any decisions or negotiations made on the phone should be put into writing.
- Follow up with a thank you letter and a phone call.

The professional relationship that you develop with your lender may be your most important relationship.

## **If Your Loan Is Rejected**

Ask these questions to the lender who rejected your plan

- Why was I rejected? Get the reasons in writing.
- Does this mean I'm turned down? Or can I correct the problems and re-submit the plan?
- Should I go to another bank or lending institution?
- Should I seek alternative financing? (*Small Business Administration/SBA guarantee, state loan*)?
- Which alternative? Why?
- Who should I ask for? Why?
- Should I tell the new lender the reason(s) for my rejection?

One alternative to traditional financing is leasing. Advantages of leasing include: usually a lower down payment, longer maturity, and protection against product obsolescence. There may be tax advantages with leasing. Disadvantages include higher finance costs and no ownership after all payments are made.

# CHECKLIST FOR STARTING YOUR BUSINESS IN BARNESVILLE

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- Phone the Minnesota Small Business Assistance Office at (651) 296-3871. Ask for a free copy of *A Guide to Starting a Business in Minnesota* (if you haven't already received it from the EDA).
- Thoroughly estimate your start-up costs. These include: rent, supplies, telephone, insurance, opening inventory, license and permit fees, legal and professional fees, fixtures and equipment, decorating and/or remodeling costs, advertising and promotion costs, salaries and wages, utility deposits adequate cash reserves.
- Know how to price the goods and services you sell.
- Prepare a comprehensive business plan. Anyone who extends credit to you (lenders, suppliers, equipment and property lessors) will ask to see it.
- Make sure that the location you select for your business is properly zoned for your type of business.

## After Financing Is Secured

- Determine the type of business organization for your company – proprietorship, partnership, or corporation. This will have tax and management control consequences – **SEE APPENDIX B**
- Register your business name (if assumed) with the Secretary of State's Office. If you are a corporation, file with the Secretary of State, but this is not Necessary –**SEE APPENDIX C**
- Minnesota businesses will need one or more tax identification numbers. These include the Federal Employer Identification Number (EIN), the Minnesota Taxpayer Identification Number, and the Minnesota Unemployment Compensation Employer Identification Number (**See Additional Resources for contact information**).
- Businesses engaged in making taxable retail sales or providing taxable services will need a Minnesota sales and use tax permit (**See Additional Resources for contact information**).
- The state, counties and municipalities of Minnesota may require one or more licenses for you business. For the state check with the Minnesota Small Business Assistance Office. For the county and city check with Barnesville about permits and codes (building, fire, health, etc.). Franchise businesses should contact the Minnesota Department of Commerce.



*Establish a relationship with a good attorney and accountant. See APPENDIX D for local options.*



# ADDITIONAL RESOURCES

## Registration of Your Business Name (Proprietorship, Partnership, Corporation)

The Secretary of State Office Business Services ([www.sos.state.mn.us](http://www.sos.state.mn.us)) ..... 651-296-2803

## Business Licenses/Permits

State of Minnesota Small Business Assistance Office ([www.deed.state.mn.us](http://www.deed.state.mn.us))  
(For Directory of Business License Requirements) ..... 651-296-3871

## State of Minnesota Offices

- State Taxpayers Information Service/Answers to Questions ([www.taxes.state.mn.us](http://www.taxes.state.mn.us)) ..... 651-296-3781
- ⇒ Minnesota Taxpayer Identification Number ..... 651-282-5225
- State Small Business Assistance Office Publications ..... 651-296-3871
- ⇒ State Withholding Tax Number Information ..... 651-296-3781
- ⇒ Sales Tax Division ..... 651-296-6181
- Sales Income Tax Division [Tax ID Number Questions/Tax Number Application Form MBA] ..... 651-296-3781
- Pollution Control Agency ([www.pca.state.mn.us](http://www.pca.state.mn.us)) ..... 651-296-6300
- ⇒ Minnesota Unemployment Compensation Employer Identification Number ..... 651-296-6141
- Worker's Compensation ([www.doli.state.mn.us](http://www.doli.state.mn.us)) Dept. of Labor & Industry,  
National Institution of MN OSHA (questions and free counseling) ..... 651-284-5060
- Minnesota Department of Labor and Industry ([www.doli.state.mn.us](http://www.doli.state.mn.us)) ..... 651-284-5005
- Toll-free for Greater Minnesota ..... 1-800-342-5354
- Minnesota Department of Commerce – Franchises ([www.commerce.state.mn.us](http://www.commerce.state.mn.us)) ..... 651-296-6328

## Federal Government Offices

- U.S. Department of Commerce/Export Resource ([www.exportassistance.com](http://www.exportassistance.com)) ..... 612-348-1638
- U.S. Patent & Trademark Office (Recording Forms) Arlington, VA ([www.uspto.gov](http://www.uspto.gov)) ... 1-800-786-9199
- U.S. Copyright Office, Library of Congress, Washington D.C. ([www.copyright.gov](http://www.copyright.gov)) ..... 202-707-3000
- Forms also available from Mpls/St. Paul Public Library
- U.S. Customs Service (Import Questions) ([www.customs.ustreas.gov](http://www.customs.ustreas.gov)) ..... 612-348-1670
- U.S. Department of Labor, Wage & Hour Division ([www.dol.gov](http://www.dol.gov)) ..... 612-370-2324
- U.S. Small Business Administration ([www.sba.gov/mn](http://www.sba.gov/mn)) ..... 612-370-2324

## Internal Revenue Service ([www.irs.gov](http://www.irs.gov))

- Federal Taxpayers Information Service ..... 1-800-829-1040
- ⇒ Employer Identification Number (EIN) ..... 1-800-829-4933

## Miscellaneous

- Accountability Minnesota (tax help and workshops) ([www.accountabilitymn.org](http://www.accountabilitymn.org)) ..... 651-287-0187
- Better Business Bureau ([www.bbb.org](http://www.bbb.org)) ..... 651-699-1111
- Insurance Federation of MN – Insurance Help Line ([www.insurancefederation.org](http://www.insurancefederation.org)) ..... 651-222-3800
- Toll-free number, Greater Minnesota ..... 1-800-642-6121
- LegalCORPS (Micro business and nonprofit assistance) ..... 612-752-6678
- Toll-free number, Greater Minnesota ..... 1-800-468-3681
- Minnesota Society of Certified Public Accountants ([www.mncpa.org](http://www.mncpa.org)) ..... 952-831-2707
- SCORE Offices ([www.scoremn.org](http://www.scoremn.org))
  - Fargo Office ..... 701-239-5677
  - Minnesota SCORE District Office (email: [info@scoremn.org](mailto:info@scoremn.org)) ..... 612-370-2309
- Small Business Development Centers (SBDC) ([www.mnsbdc.com](http://www.mnsbdc.com)) ..... 612-297-5770
- West Central Minnesota – Moorhead ..... 218-477-2289
- Small Business Innovative Research (SBIR), MN Dept. of Employment and Economic Development  
([www.sba.gov/sbir](http://www.sba.gov/sbir)) ..... 651-282-6714
- bizpathways: Virtual Entrepreneurial Network ([www.bizpathways.org](http://www.bizpathways.org))

# APPENDIX

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Incentive Programs Available In Barnesville .....	A
Economic Development and Loan Programs	
Barnesville Business Incentive Program 11/07—10/09	
JOBZ Program	
Selecting a Legal Structure .....	B
Registering Your Business Name .....	C
Local Business Resources .....	D
“Starting Your Own Business” Training by SCORE .....	E
Cash Flow .....	F
Forms .....	G
Example of Cash Flow Projection	
Example of Personal Net Worth Statement	
Certificate of Assumed Name	

## Tax Increment Financing

*Administered by the City of Barnesville*

**Type of Funding:** This is not a loan program

**Eligible Use of Funds:** Land acquisition, demolition, site preparation, public improvements, planning, legal, administrative and bonding.

**Program Explanation:** Tax Increment financing is a tool which cities can use to encourage development by using the tax increment from new development projects to finance certain eligible costs of the project.

## Small Business Administration, SBA

*A federal program administered by local banks*

**Type of Funding:** Loan guarantees

**Eligible Use of Funds:** Working capital, fixed assets, and commercial and industrial real estate.

**Eligible Participants:** Businesses must meet SBA guidelines

## Minnesota Small Business Development Loans

*Administered by the Minnesota Department of Trade and Economic Development*

**Type of Funding:** Low Interest loans

**Eligible Use of Funds:** Land acquisition, construction, renovations and equipment

**Eligible Borrowers:** Must meet SBA definition of small business

**Loan Amount:** Maximum of \$1 million per applicant

**Interest Rate:** Varies on project to project basis

**Term:** Varies; maximum of 20 years

## State Economic Recovery Fund

*Administered by the Minnesota Department of Trade and Economic Development through local units of government*

**Type of Funding:** Low interest loans

**Eligible Use of Funds:** Fixed assets, working capital, and commercial/industrial real estate

**Eligible Borrowers:** Individuals, partnerships and limited partnerships

**Loan Amount:** Varied; \$500,000 maximum

**Interest Rate:** Negotiable, no set rate

**Term:** Negotiable

## OMNI (Opportunities Minnesota, Inc.)

*Administered by Minnesota Business Finance Incorporated; St. Cloud, Minnesota*

**Type of Funding:** Low Interest loans

**Eligible Use of Funds:** Land acquisition, building acquisition, building additions or renovation

**Eligible Borrowers:** Individuals, partnerships or corporations engaged in for-profit business activities.

**Loan Amount:** 40% of project cost, up to \$750,000

**Interest Rate:** Depends on bond market.

**Term:** Varies

## Industrial Revenue Bonds

*Administered by the Minnesota Department of Trade and Economic Development through local units of government*

**Type of Funding:** Low interest loans through the sale of bonds

**Eligible Use of Funds:** Land acquisition, building acquisition, machinery, equipment, working capital, architecture and engineering.

**Eligible Borrowers:** Individuals, partnerships, limited partnerships, profit or non-profit corporations, tenant operators, developers, and other legal entities.

**Loan Amount:** Negotiable

**Interest Rate:** Varies depending on the bond market

**Term:** Varies

**FOR MORE INFORMATION CONTACT:**



P.O. Box 550 Barnesville, MN 56514  
(218) 354-2145 or (218) 354-2292



**Economic Development  
and Loan Programs**

*Encouraging Business Growth  
and Community Development*

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## **Barnesville Area Community Loan Fund**

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*A program of the Barnesville Development Authority administered through the West Central Minnesota Initiative Fund*

**Type of Funding:** Low Interest loans

**Eligible Uses of Funds:** Land acquisition, building acquisition, construction additions, alterations, machinery, equipment, inventory and other working capital needs.

**Eligible Borrowers:** Individuals, partnerships, limited partnerships, and corporations engaged in for profit and not-for-profit business activities that create or retain jobs in Barnesville

**Loan Amount:** Varies, usually \$3000 per full time job created. Other factors are amount of funds leveraged from other sources, increase in market value of parcels improved by the project, and the amount needed to fill any financial gaps.

**Interest Rate:** Generally varies from 4% to 10%

**Term:** Negotiable

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## **Barnesville Store Front Revitalization Program**

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*A Barnesville Main Street Program implemented through the offices of Wells Fargo Bank and Midwest Bank, Barnesville*

**Type of Funding:** Low interest loans & grants

**Eligible Use of Funds:** Building additions, doors, remodeling of exteriors including walls, windows, sign lettering, awnings and similar improvements.

**Eligible Borrowers:** Building owners and tenants with leases which permit leasehold improvements. Subject to business loan criteria.

**Grant Amount:** \$1,000 maximum

**Loan Amount:** \$7,000 maximum

**Interest Rate:** Prime rate variable

**Term:** 5 years maximum

• *If business is sold, loan must be repaid in full*

*"The Barnesville community through their Economic Development Authority and Economic Development Corporation is committed to their active focus on business recruitment, retention and expansion. Through their relation with American Bank and Trust and other regional and state programs they are able to offer this wide array of loan and assistance programs to assist new and assisting business owners. We would be happy to provide you with additional information or assistance concerning any of these loan programs."*

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## **Midwest Minnesota Community Development Corporation**

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*Headquartered in Detroit Lakes, Minnesota*

**Type of Funding:** Venture capital, loans and loan guarantees

**Eligible Use of Funds:** Fixed assets, working capital, inventory and long term real estate.

**Eligible Borrowers:** Individuals, partnerships and corporations involved in for-profit businesses.

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## **Small Enterprise Loan Fund**

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*Administered by the West Central Minnesota Initiative Fund*

**Type of Funding:** Low Interest loans

**Eligible Use of Funds:** Start-up costs and expansions

**Eligible Borrowers:** For-profit businesses; generally not retail or service businesses that are competitive with existing businesses

**Loan Amount:** Up to \$20,000

**Interest Rate:** 1% above New York prime

**Term:** Up to 5 year, negotiable

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## **West Central Minnesota Initiative Fund Revolving Loan Fund and Challenge Grant Program**

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*A program of the West Central Initiative Fund*

**Type of Funding:** Low interest loans

**Eligible Use of Funds:** Land acquisition, building acquisition, construction additions, alterations, machinery, equipment, inventory and other working capital

**Eligible Borrowers:** For-profit businesses, generally manufacturers, not retail and service businesses

**Loan Amount:** \$100,000 maximum up to approximately \$20,000 per job created and not more than 50% of the project cost.

**Interest Rate:** 1% above New York prime

**Term:** Matches the length of term offered by participating lender in most cases

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## **Clay County Loan Fund**

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*A program of the West Central Minnesota Initiative Fund, Clay County and the Barnesville Development Corporation*

**Type of Funding:** Low Interest loans

**Eligible Use of Funds:** Land acquisition, building acquisition, construction additions, alterations, machinery, equipment, inventory and other working capital

**Eligible Borrowers:** Individuals, partnerships, limited partnerships and corporations engaged in for-profit and not-for-profit business activities that create or retain jobs in Barnesville

**Loan Amount:** \$5,000 maximum

**Interest Rate:** Generally varies from 7% to 11%

**Term:** Varies, generally 3 to 10 years

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# Barnesville Business Incentive Program 11/07-10/09

Coordinated by the  
Main Street  
Program



For more information contact:

Main Street Director  
202 Front Street  
P.O. Box 550  
Barnesville, MN 56514  
218-354-2479  
mainstreet@bvillemn.net

## REQUIREMENTS FOR ELIGIBILITY

1. Representatives of the business must apply with the Main Street Program or Economic Development Director. The application must be received prior to the opening of the business operation. Supporting documents must be received within 60 days of the application for review and approval by the Main Street Program Board. Supporting documents must be received in the Main Street Office 2 weeks before the next board meeting, which are held the 3rd Tuesday of the month.
2. The business must be new, expanding to, or relocating from outside the program's boundaries. The expansion of an existing business must include either new job creation, additional square footage, or new services. Businesses with the same owner can only qualify once. Purchase of an existing business must include a history of that business.
3. A business reasonable and feasible narrative business including 3 years of cash flow projections plan is required. If help is needed in preparing one, the Director can make referrals to other organizations that will assist you in preparing one.
4. Geographic restrictions to be eligible for the incentive plan are the Barnesville city limits and a ½ mile wide corridor on either side of T.H. #9 North to Interstate 94 and East along T.H. #34 to County Road #25 East.
5. The business is under no obligation to accept all the different incentives offered if certain ones are not wanted or needed.
6. If the "low interest loan" incentive is desired, the business is subject to the "normal" lending guidelines of the participating financial institution.
7. To qualify for the incentive package, businesses must construct a new building, purchase a vacant building or an existing business within the program's boundaries. Home based businesses will be considered if applicant has an approved CUP, pays commercial real estate taxes and commercial utilities. If leasing/renting, the business must show an intention to be permanent by signing a one year lease/rental agreement with the landlord. This lease must be provided with the application.
8. The specific arrangements and conditions of the tenant's lease/rental agreement are the responsibility of the landlord and the lessee.
9. Some of the organizations and businesses that offer incentives may require a further commitment from program participants that will extend beyond the limits of the initial incentive.
10. Applications will confidentially be reviewed and a recommendation will be made to the Main Street Program Board on acceptance or denial of the application. All applicants will be notified in writing of the Board's decision
11. Applications are to be returned to the Barnesville Main Street Program, PO Box 550, Barnesville, MN 56514. Supporting documents including business plan, cash flow projections, rent/lease agreement, CUP, commercial real estate tax statement, and commercial utility statement must be submitted no later than 60 days after the application date.
12. The Main Street Program reserves the right to review each application and to reject any applications for good cause. If an application is denied you will be notified of the reason in writing and given an opportunity to reapply within 30 days.

## ADVERTISING INCENTIVES

### **Record-Review**

50% off regular display advertising for first year in business.

### **Review Printers**

Free design help for creation of letterhead, envelopes and business logo.

## BUILDING AND REMODELING INCENTIVES

### **Barnesville Building Center**

Purchase \$600 of materials and receive \$150 worth of additional materials for building or remodeling the business structure during first year of business.

### **City Center Drug & Hardware**

20% off regular price of building/remodeling/cleaning supplies used for business structure during the first year of business.

### **Jim Hanson Cleaning Service**

15% off carpet or general cleaning services during first year of business, not to exceed \$100 discount.

### **Magnum Electric**

Free consultation and estimate on any electrical work plus \$50 credit on your first service call performed during first year of business.

### **Schritz Plumbing & Heating LLC**

Free consultation and estimate on plumbing and heating needs for set-up of a business location.

## UTILITIES INCENTIVES

### **City of Barnesville**

Free hookup and base utility charges for electric, water, sewer, and telephone for one year to businesses within the city limits who have new services connected/installed.

## FINANCING INCENTIVE

### **Midwest Bank**

No monthly service charge for first year on business checking account. \$2,500 business loan or start-up expenses to applicants that meet normal credit criteria. Terms of 24 monthly payments at a variable rate of ½ below prime.

### **Wells Fargo Bank**

\$2,500 business loan for start-up expenses to applicants that meet normal credit criteria. Terms of 24 monthly payments at a variable rate of ½ below prime.

## LEGAL INCENTIVES

### **John I. Allen, Attorney at Law**

50% off first \$1,000 of attorney fees, not costs, (maximum \$500) relating to opening or expanding a business in Barnesville. *The Attorney has the right to decline services based on conflict of interest or any ethical reason.*

### **Svingen, Hagstrom, Karkela & Cline PLLP**

The first one-half hour conference at no charge regarding the set up of a corporation, partnership, limited liability company, or any other business entity recognized by The State Of Minnesota.

## REAL ESTATE INCENTIVES

### **Houston Engineering, Inc.**

15% discount for any engineering service associated with business development, such as site plans, legal surveys, etc.

### **Mostue's Advantage Real Estate**

\$250 off closing costs if home is purchased through Mostue's Advantage Real Estate.

## ADDITIONAL BARNESVILLE BUSINESS INCENTIVES

### **Barnesville Chiropractic & Fitness Center**

\$5.00 off a 1 hour massage.

### **Barnesville Main Street Program**

Free one-year Silver business membership to the Main Street Program.

### **Barnesville Schools - Sponsored by the Booster Club**

2 free adult athletic passes

### **Eagle Café**

Six free dinners.

### **J & S Farmers Mill, Inc.**

10% discount on softener salt in first year of business, (maximum of \$500) plus free delivery.

### **Kletsch Photography**

One free business photo session. (\$20 value)

### **Thompson's Greenery**

\$25.00 in store credit.

### **Willow Creek Golf Course**

\$25 allowance toward the purchase of a season golf pass.

## INCENTIVES FROM BUSINESS VENDORS TO NEW BARNESVILLE BUSINESSES

### **FRS Industries, Inc.**

One return address stamp (\$22 value). 20% off regular price merchandise from the FRS promotional catalog during the first year of business.

### **Image Communications**

1 free hour of business advertising and marketing consultation.



## **JOBZ Opportunities in BARNESVILLE**

### **WHAT IS JOBZ?**

Job Opportunity Building Zones (JOBZ) are a new and exciting tool to stimulate business activity. Eligible businesses in a JOBZ designated zone operate in an environment nearly free of state and local taxes. These tax incentives will help new and expanding companies lower their overall costs and will help facilitate their growth and prosperity. The Barnesville area applied for and received JOBZ designation for over 284 acres in the Barnesville area, including the property in the City's Industrial Park.

### **JOBZ TAX EXEMPTIONS**

All qualified businesses who build in a zone will receive tax exemptions through 2015, including:

- Property tax exemption for all but pre-existing debt service levies. The exemption applies to improvements only; land will continue to be taxable.
- Income tax exemption for income earned from activity in the zone, including rental income
- Sales tax exemption on building materials, equipment, & taxable purchases used in the zone
- Sales tax exemption on motor vehicles used in operation of business
- Capital gains tax exemption for individuals, businesses, and property owners

### **JOBZ TAX CREDIT**

- Job credit is computed by determining the average FTE wage for the company; the job credit is 7% of the amount in excess of \$30,000 each year. The job credit is a reduction in state income tax paid.

### **QUALIFIED BUSINESSES**

Tax exemptions apply to commercial and industrial businesses. Retail and low paying service job businesses are excluded. Companies who locate from another Minnesota non-JOBZ site are subject to additional wage and/or investment requirements

### **JOB CREATION REQUIREMENTS**

After the first two years of operation in a Barnesville area JOBZ zone, qualified businesses must have created at least two full time jobs, for which the wages and cash value of the benefits are equal to or exceed 185% of minimum wage. These jobs must be maintained through 2015.

### **FOR MORE INFORMATION**

The Barnesville EDA office is the administrator for all Barnesville area JOBZ properties, located both within the city, as well as the township. Their office is located upstairs in Wells Fargo Bank. They can also be reached by phone at (218) 354-2145 or (800) 354-7570 or e-mail at [klauer@bvillemn.net](mailto:klauer@bvillemn.net).

# SELECTING A LEGAL STRUCTURE

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One of the first decisions that you will have to make as a business owner is how the company should be structured. Consult an attorney, an accountant and/or a financial advisor to help you select the form of ownership that is right for you. Take into account the following:

1. The size and nature of your business.
2. The level of control you want.
3. The level of complexity of “structure” with which you are willing to deal.
4. The business’s vulnerability to lawsuits.
5. Tax implications of each ownership structure.
6. Expected profit or loss of the business.
7. Whether you need to re-invest earnings into the business.
8. Your need for cash out of the business.

## **Sole Proprietorships:**

Generally, small businesses start out as sole proprietorships, firms owned by one person (in some cases a married couple). Typically the sole proprietor is the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume sole responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one in the same with the business.

### *Advantages of a Sole Proprietorship*

- Easiest and least expensive form of ownership to organize.
- Sole proprietors have complete control and make decisions as they see fit.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner’s personal tax return.
- The business is easy to dissolve, if desired.

### *Disadvantages of a Sole Proprietorship*

- Sole proprietors have unlimited liability and are legally responsible for all debt against the business. Both their business and personal assets are at risk.
- The proprietor may be at a disadvantage in raising funds and is often limited to using funds from personal savings or consumer loans.
- Sole proprietors may have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Some employee benefits such as owner’s medical insurance premiums are not directly deductible from business income (only partially deductible as an adjustment to income).

### *Federal Tax Forms for Sole Proprietorship*

(only a partial list and some may not apply)

- Form 1040: Individual Income Tax Return
- Schedule C: Profit or loss from Business (or Schedule C-EZ)
- Schedule SE: Self-Employment Tax

- Form 1040-ES: Estimated Tax for Individuals
- Form 4562: Depreciation and Authorization.
- Form 8829: Expenses for Business Use of you Home
- Employment Tax Forms

## **Partnerships:**

In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners will be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, it's hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

### *Advantages of a Partnership*

- Partnerships are relatively easy to establish. Be sure to develop a partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits flow directly through to the partners' personal tax returns.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills.

### *Disadvantages of a Partnership*

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

### Types of Partnerships:

#### 1. *General Partnerships*

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

#### 2. *Limited Partnership and Partnership with Limited Liability*

"Limited" means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for

operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

### 3. *Joint Venture*

Acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such, and distribute accumulated partnership assets upon dissolution of the entity.

#### *Federal Tax Forms for Partnerships*

(only a partial list and some may not apply)

- Form 1065: Partnership Return of Income
- Form 1065 K-1: Partners' Share of Income, Credit, Deductions
- Form 4562: Depreciation
- Form 1040: Individual Income Tax Return
- Schedule E: Supplemental Income and Loss
- Schedule SE: Self-Employment Tax
- Form 1040-ES: Estimated Tax for Individuals
- Employment Tax Forms

### **“C” Corporations:**

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when the ownership changes.

#### *Advantages of a Corporation*

- Shareholders have limited liability for the corporation's debts or judgments against the corporation
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note, however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect “S” corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

#### *Disadvantages of a Corporation*

- The process of incorporation requires more time and money than other forms or organization.

- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

*Federal Tax Forms for Regular “C” Corporations*

(only a partial list and some may not apply)

- Corporation Income Tax Return (Form 1120 or 1120-A)
- Estimated Tax for Corporation (Form 1120-W)
- Deposit Coupon (Form 8109-B)
- Depreciation (Form 4625)
- Employment Tax Forms
- Other forms as needed for capital gains, sale of assets, alternative minimum tax, etc.

*Subchapter “S” Corporations-(A tax election only)*

This election enables the shareholder to treat the earnings and profits as distributions, and pass through directly to their personal tax return. The shareholder, if working for the company, and if there is a profit, must pay themselves wages. The salary must meet the standards of “reasonable compensation.” This can vary by geographical region as well as occupation. The basic rule is to pay yourself what you would pay someone to do your job, as long as there is enough profit. If you do not do this, the IRS can reclassify all of the earnings and profit as wages, and you will be liable for all of the payroll taxes on the total amount.

*Federal Tax Forms for Subchapter S Corporations*

(only a partial list and some may not apply)

- Income Tax Return for S Corporation (Form 1120S)
- Shareholder’s Share of Income, Credit, Deductions (1120S K-1)
- Depreciation (Form 4625)
- Employment Tax Forms
- Individual Income Tax Return (Form 1040)
- Supplemental Income and Loss (Schedule E)
- Self-Employment Tax (Schedule SE)
- Estimated Tax for Individuals (Form 1040-ES)
- Other forms as needed for capital gains, sale of assets, alternative minimum tax and others

**Limited Liability Company (LLC)**

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

The owners are members; and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration. LLCs must not have more than two of the four characteristics that define corporations: Limited liability to the extent of assets; continuity of life; centralization of management; and free transferability of ownership interests.

*Federal Tax Forms for LLC*

Taxed as a partnership in most cases; corporation forms must be used if there are more than two of the four corporate characteristics, as described above.

Minnesota first recognized the LLC form in 1994. Subsequently, almost all of the 50 states have passed legislation recognizing it; but due to its recent creation, it has limited experience and case law history.

Consult an attorney who is familiar with LLC law when considering formation of this type of organization.

## **REGISTERING YOUR BUSINESS NAME**

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- Organizations transact business under what is known as an “Assumed Name” such as “Paul’s Diner” or “Easy-as-Pie Plumbing.”
- State Nomenclature: “dba” refers to “doing business as” and is often used by corporations who operate a subsidiary business under a different name.
- All business (assumed) names, in general, must be registered with the Minnesota Secretary of State.
- One who has registered an assumed name with the state may institute a civil suit denying anyone else the right to use that name.
- Assumed name registration requires 1) the assumed name to be registered, 2) the name and address of the owner (individual or corporation), 3) address of the principal place of business, and 4) the nature of the business.
- Assumed name: No assumed name may be the same as or deceptively similar to any other assumed name, domestic or foreign business name. A similar name may be used if written permission to do so is obtained from the original name source.
- Registration fee: \$25. This registration remains in force for ten years.

Minnesota Secretary of State  
Retirement Systems of Minnesota Building  
60 Empire Drive, Suite 100  
St. Paul, MN 55103  
(651) 296-2803  
Toll free: 1-877-551-6767  
([www.sos.state.mn.us](http://www.sos.state.mn.us))

**SEE APPENDIX G** – for Certificate of Assumed Name

## **LOCAL BUSINESS RESOURCES**

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### **Attorneys**

Allen Law Office

**John Allen**

407 9<sup>th</sup> Street Southeast

(218) 354-7724

Svingen, Hagstrom, Karkela & Cline, PLLP

**Greg Larson**

202 Front Street North

(218) 354-2793

### **Bookkeeping and Accounting**

Braaten Ltd.

**Bruce Braaten**

102 2<sup>nd</sup> Avenue Southwest

PO Box 717

(218) 354-2474

Gilbertson Tax Service

**Bonnie Gilbertson**

202 2<sup>nd</sup> Avenue Southeast

PO Box 638

(218) 354-2170

Workshop Dates: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_ Phone: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Names of additional registrants: \_\_\_\_\_

Charge for the 6 hour program is:

Pre-registered	\$30.00	\$ _____
At the door	\$35.00	\$ _____
Additional registrants:		
Pre-registered	\$15.00	\$ _____
At the door	\$20.00	\$ _____
<b>TOTAL</b>		\$ _____

Please make check payable to **SCORE** and return to:  
 Fargo **SCORE**  
 51 Broadway Suite 505  
 Fargo, ND 58102  
 or register online at [www.fargoscore.org](http://www.fargoscore.org)

NOTE: No refunds will be given. If registrant is unable to attend, the charges may be applied to a future program. Space is limited, pre-registration is recommended.

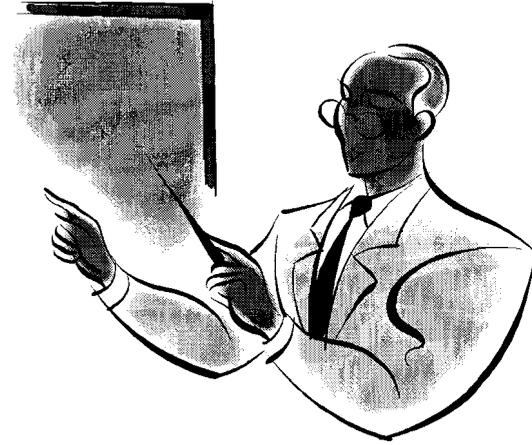


## SCORE – “Counselors to America’s Small Business”

SCORE is a non-profit organization dedicated to educating entrepreneurs. SCORE has over 100 experts who volunteer their time to provide FREE one-to-one counseling to area small businesses. SCORE counselors are experts who want to share their experience and knowledge with those that need help.

Contact SCORE at (701) 239-5677, write 51 Broadway Suite 505, Fargo, ND 58102, or at [www.fargoscore.org](http://www.fargoscore.org)

## “Starting Your Own Business” Training by SCORE 2008



Including...

- Business Planning
- Marketing
- Financing
- Record Keeping

This program provides information on:

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- Writing a business plan
- Entrepreneurship
- Mission/Vision
- Forms of ownership
- Marketing and Sales
- Product and Services
- Funds and Projections
- Taxes
- Types of Financing

### **Who Should Attend?**

Any individual who has responsibility for developing parts or all of a business plan including: marketing, staffing, financing, and other areas of small business management will benefit from attending this workshop.

## **“Starting Your Own Business” 2-night workshop**

Tuesday & Wednesday  
Evening  
7:00pm to 10:00pm

2008

- \* January 8 & 9
- \* February 19 & 20
- \* April 1 & 2
- \* September 9 & 10
- \* October 14 & 15
- \* November 18 & 19

Programs are held at:  
**Minnesota State  
Community and Technical  
College**  
Moorhead Campus  
1900 28th Ave South  
Moorhead, MN  
(Door W1 or W2)

Presenters are all volunteers from the surrounding business community:

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- John J. Postovit, Retired Administrator, NW Bell & US West
- Graham Goeson, CPA
- Brenda Rosten, Rosten Law Office
- James Noehl, Retired Minnesota State University-Moorhead Business Professor
- Roger Spilde, Retired Concordia College Business Professor
- Representative from the US Small Business Administration and other area business professionals.

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All SBA and SCORE programs and services are extended to the public on a nondiscriminatory basis.

Reasonable arrangements for persons with disabilities will be made, if requested at least two weeks in advance. Contact SCORE at 701.239.5677 or write 51 Broadway, Suite 505, Fargo, ND 58102.

The Service Corps of Retired Executives is partially funded by the U.S. Small Business Administration. The support given by the U.S. Small Business Administration through such funding does not constitute or express implied endorsement of any of the cosponsor(s) or participant's opinions, products or services.

# **CASH FLOW**

## *The Lifeblood of your business*

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Cash flow is the lifeblood of a business and critical in the growth and well being of a business. Small business owners must plan and prepare for future events and market changes. The most important aspect of planning is effective cash flow management.

Cash flow serves several purposes. First, it is used for meeting normal cash obligations such as paying bills. Second, it is held as a precautionary measure for unanticipated problems. Third, it is held for potential investment purposes. The term “cash” refers to those assets that are liquid and have immediate cash redemption value such as cash and checks.

The operating cycle is defined as the system through which cash flows from the purchase of inventory through the collection of accounts receivable. It measures the flow of assets into cash and is a business stopwatch.

For example, the operating cycle may begin with cash and inventory on hand. A company purchases additional inventory on 30 day credit terms to sell. When the inventory is sold, cash or account receivables (sales on credit terms) are generated. The account receivables cannot be used to make payroll and pay bills until collected. The company uses the cash from sales and collections of account receivables to pay for the inventory purchased on credit. Now the cash has completed its flow through the operating cycle and is ready to begin again.

Cash flow analysis shows whether your daily operations generate enough cash to meet your business obligations. It also indicates how major cash outflows relate to major cash inflows. It will tell you if inflows and outflows result in a positive cash flow from operations or in a net drain of funds. Early identification of cash related problems will facilitate better control of cash flows and will allow adequate time to plan and prepare for the growth of your business.

The development of a cash reserve account will enable you to plan expenditures for the following month. A monthly cash-flow projection helps to look at available funds and compare actual figures to past months. Project your monthly cash flow to identify and eliminate deficiencies or surpluses in cash. If deficiencies are found, financial plans must be altered to provide more cash. If excess cash is revealed, it might indicate excessive borrowing or idle money that could be invested. The objective is to develop a plan that will provide a well-balanced cash flow.

To achieve a positive cash flow you must have a sound strategy. Cash reserves can be increased by the collection of receivables, tightened credit requirements, method of pricing products, loans, increased sales and the timely collection of accounts receivable.

As credit and terms are tightened more customers must pay cash for their purchases, increasing the cash on hand and reducing the bad debt expense. While tightening credit

may be a strategy in the short run it may not be advantageous in the long run. A liberal credit policy allows more customers the opportunity to purchase your products or services. The increase in sales with this liberal credit policy must be greater than the potential increase in bad-debt expense.

Commercial loans are often necessary to cover short-term cash flow requirements. Revolving credit lines and equity loans are common types of credit used in this situation. Remember that bank financing may not provide immediate cash resources. A sufficient lead-time will be necessary to complete the loan application and receive a final decision from the bank.

Increased sales would appear to increase cash flow, but be careful. For many companies a large portion of sales are purchased on credit. When sales increase, accounts receivable also increase, not cash. Collection terms of receivables is usually 30 days after purchase date and sales expenses are most often incurred before receivables are collected.

It is imperative to actively manage accounts receivable and quickly collect past due accounts. Revenues are lost when a firm's collect policies are not aggressive. The longer your customer's balance remains unpaid, the less likely that you will collect the full payment.

When sales rise, inventory is depleted and must be replaced. Since receivables have not yet been collected, a substantial increase in sales can quickly deplete a firm's cash reserves. By utilizing one of the many computer accounting software packages available, you can maintain this critical data in a form useful for quick management decisions.

A user friendly financial management software package and computer will enable you to review projected inflows and outflows of cash from month to month or year to year. By analyzing these projections you can see the fluctuations in cash flow and create management policies to avoid potential shortfalls.



# EXAMPLE OF PERSONAL NET WORTH STATEMENT

## Assets

1. Cash \_\_\_\_\_
2. Savings Account \_\_\_\_\_
3. Checking Account \_\_\_\_\_
4. Subtotal (Lines 1-3) \_\_\_\_\_ ██████████
5. U.S. Bonds \_\_\_\_\_
6. Other Securities \_\_\_\_\_
7. Other Assets \_\_\_\_\_
8. Subtotal \_\_\_\_\_ ██████████
9. Household Real Estate Owned \_\_\_\_\_
10. Other Real Estate Owned \_\_\_\_\_
11. Personal Property \_\_\_\_\_
12. Other Assets \_\_\_\_\_
13. Subtotal (9-12) \_\_\_\_\_ ██████████
14. Total (4+8+13) \_\_\_\_\_ ██████████

## Liabilities

15. Notes due to Banks \_\_\_\_\_ \*
16. Notes due to Relatives \_\_\_\_\_ \*
17. Notes due to Others \_\_\_\_\_ \*
18. Unpaid Bills \_\_\_\_\_
19. Rent Due \_\_\_\_\_
20. Subtotal (Lines 15-19) \_\_\_\_\_ ██████████
21. Real Estate Mortgages and  
Contracts for Deed \_\_\_\_\_ \*
22. Liens \_\_\_\_\_
23. Installment Debts,  
Credit Cards, etc. \_\_\_\_\_ \*
24. Car or Vehicle Debts \_\_\_\_\_ \*
25. Subtotal (21-24) \_\_\_\_\_ ██████████
26. Total (20+25) \_\_\_\_\_ ██████████
27. Net Worth (14-26) \_\_\_\_\_ ██████████

\* All debts included on lines marked with an asterisk should be listed below under "Schedule of Debts."

## SCHEDULE OF DEBTS

On this chart please indicate any business or personal debts which you may have. The principal reasons for this chart are to determine your monthly debt-related expenses and to determine the availability of collateral for your project. For example:

PURPOSE:	COLLATERAL:	PAYMENT:	LENDER:	UNPAID BALANCE
Buy Car	Car	\$185/month	GMAC	\$3,400
Buy Home	Home	\$450/month	Local Bank	\$45,000

PURPOSE:	COLLATERAL:	PAYMENT:	LENDER:	UNPAID BALANCE

Have you declared bankruptcy within the last seven (7) years? \_\_\_\_\_ If yes, attach explanation.

Do you have any pending lawsuits, either civil or criminal? \_\_\_\_\_ If yes, attach explanation.

I certify the above is an accurate representation of my financial condition on this date, and all information is correct. Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit with me.

\_\_\_\_\_  
Signature of Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Applicant  
(If applicable.)

\_\_\_\_\_  
Date



# MINNESOTA SECRETARY OF STATE

## CERTIFICATE OF ASSUMED NAME

### Minnesota Statutes Chapter 333

Read the instructions before completing this form.

Filing fee: \$25.00

The filing of an assumed name does not provide a user with exclusive rights to that name. The filing is required for consumer protection in order to enable consumers to be able to identify the true owner of a business.

**PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK.**

1. State the exact assumed name under which the business is or will be conducted: (one business name per application)

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2. State the address of the principal place of business. A complete street address or rural route and rural route box number is required; the address cannot be a P.O. Box.

Street	City	State	Zip code
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3. List the name and complete street address of all persons conducting business under the above Assumed Name, OR if an entity, provide the legal corporate, LLC, or Limited Partnership name and registered office address. Attach additional sheet(s) if necessary.

Name (please print)	Street	City	State	Zip
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4. I certify that I am authorized to sign this certificate and I further certify that I understand that by signing this certificate, I am subject to the penalties of perjury as set forth in Minnesota Statutes section 609.48 as if I had signed this certificate under oath.

\_\_\_\_\_  
Signature (ONLY one person listed in #3 is required to sign.)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Contact Person

\_\_\_\_\_  
Daytime Phone Number

## INSTRUCTIONS

### THIS FORM MUST BE TYPEWRITTEN OR PRINTED IN BLACK INK.

State law requires that this Certificate of Assumed Name be filed and published prior to the conduct of any business. Licensing and regulatory boards as well as private vendors and banks often require proof of the filing of this Certificate before issuing licenses, permits or entering into business relationships with the business.

#### WHO MUST FILE:

- 1) Any person conducting business under a name which is not their true full name (first and last name) must file. (Example: "John Smith Painting" need not file, however, "Smith Painting" would be required to file.)
- 2) A corporation, limited partnership or limited liability company conducting business under a name other than the legal name, must file (Example: Legal name; "St. Paul Painting Contractors, Inc.", Assumed Name; "St. Paul Painting".)
- 3) A partnership must file if the name of the partnership does not include the true full name of each partner.

#### STEPS TO FOLLOW:

- 1) State the exact business name on line 1. Only one business name may be filed per form. Assumed names that duplicate corporate, limited partnership and limited liability company names or trademarks already on file cannot be accepted for filing.
- 2) State a complete street address or rural route and rural route box number of the principal place of business. A Minnesota Address is preferable whenever available, but an out of state address is acceptable. A post office box cannot be accepted as the address of the principal place of business.
- 3) List the name and complete street address of all persons conducting business under the assumed name. If the business owner is a business organization such as a corporation, limited liability company, or limited partnership doing business under an assumed name, the legal name and registered office address is required.
- 4) Must be signed by at least one nameholder listed in #3. Provide the printed name of the person signing and the title of the signer. Please print the name and phone number of the person this office should contact if there are any questions about this form.
- 5) Filing Fee: \$25.00 Payable to the MN Secretary of State.

#### FILE IN-PERSON OR MAIL TO:

Minnesota Secretary of State - Business Services  
Retirement Systems of Minnesota Building  
60 Empire Drive, Suite 100  
St Paul, MN 55103

(Staffed 8:00 - 4:00, Monday - Friday, excluding holidays)

To obtain a copy of a form you can go to our web site at [www.sos.state.mn.us](http://www.sos.state.mn.us), or contact us between 9:00am to 4:00pm, Monday through Friday at (651) 296-2803 or toll free 1-877-551-6767.

- 6) The Certificate of Assumed Name must be published **after filing** for two consecutive issues in the legal notices section of a qualified legal newspaper in the county where the principal place of business is located. The newspaper will return an affidavit of publication and the newspaper ad which should be retained by the assumed name holder with the Certificate of Assumed Name. Failure to publish may render the Certificate of Assumed Name invalid.
- 7) The filed and published Certificate of Assumed Name is valid for 10 years after the date of filing. A renewal form will be sent to the principal place of business address on file with this office six months prior to the Assumed Name expiration.
- 8) Any changes due to a change of business name, address, ownership, or owner's address, require the filing of a Certificate of Amended Assumed Name form. The Certificate of **Amended** Assumed Name form must be filed within 60 days after any change has occurred and must be published as described in paragraph 6 above.

All of the information on this form is public. Minnesota law requires certain information to be provided for this type of filing. If that information is not included, your document may be returned unfiled. This document can be made available in alternative formats, such as large print, Braille or audio tape, by calling (651)296-2803/voice. For a TTY/TTD (deaf and hard of hearing) communication, contact the Minnesota Relay Service at 1-800-627-3529 and ask them to place a call to (651)296-2803. The Secretary of State's Office does not discriminate on the basis of race, creed, color, sex, sexual orientation, national origin, age, marital status, disability, religion, reliance on public assistance or political opinions or affiliations in employment or the provision of service.