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EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES



NEW BUSINESS *Startup Kit*



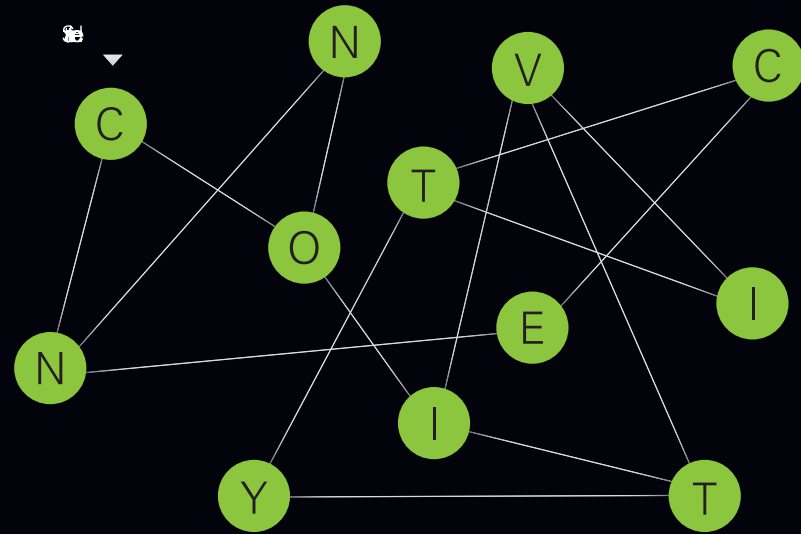
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BILLINGS: OPPORTUNITY

ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT are vital to the success of economic development in Yellowstone County. Big Sky Economic Development believes that entrepreneurs are crucial for a thriving community and economy. The investments they create for Yellowstone County are immeasurable.

Our economic system is based upon free enterprise and the right of each person to take the risk, follow a dream, and open his/her own business. The enclosed information, compiled by Big Sky Economic Development, is designed to answer many of the questions that arise when someone begins the process of opening a new business.

Owning and operating a business can be challenging. It requires dedication, patience, a variety of skills, and money. Big Sky Economic Development has worked to gather this information for small businesses to support the desire of entrepreneurs to follow their dreams. Please take the time to read the material and use it to your advantage. Knowing how to handle the challenges of opening your own business and knowing yourself is imperative to your businesses success.

In the event this information leads to additional questions, please don't hesitate to contact Big Sky Economic Development. Big Sky Economic Development offers a variety of services to assist Montana business owners with getting on the road to success, and we do that through the support of Yellowstone County taxpayers and our Member Investors.

We ask for your help in identifying additional information that should be added to this guide. Share your suggestions! The more information we can provide, the better we may assist you and the entrepreneurs who follow.

Best of luck,



Steve Arveschoug
 Executive Director
 Big Sky Economic Development



STEVE ARVESCHOUG
 Executive Director,
 Big Sky Economic Development

NOTICE: The information contained within this publication is given for informational purposes only and should not be constructed as legal or professional advice or assistance.

Laws and information contained herein are from multiple sources and are subject to frequent changes. While this publication will be updated annually to capture those changes, you should consult a licensed professional when dealing with legal and financial matters regarding your specific situation. You should also verify the other information contained herein to be sure that you have the most current and accurate information.

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STEP 1: IS ENTREPRENEURSHIP FOR YOU?

Is Entrepreneurship for You?

Before you go to the bank, before you write your business plan, or before you quit your day job...STOP and ask yourself one question. "Is business ownership and all that it implies right for me?" In this section Big Sky Economic Development will help you assess that question.

WHAT IS AN ENTREPRENEUR?

- Someone who organizes and maintains a business venture
- Someone who takes on the risk and does what he/she wants in order to make a profit
- Someone who can coordinate the resources available to meet a need

How can you become an entrepreneur? How can you start your own business? Big Sky Economic Development has compiled this book as a reference guide to simplify transition into the role of an entrepreneur. The ABC's of Starting a Business in Yellowstone County will make establishing your own business easier by giving you "one-stop shopping" for the information you will need. Big Sky Economic Development is determined to promote economic growth and development. We believe this begins with you. By giving you the proper tools, we can help build a strong economic foundation. We hope this booklet will be of assistance. In order to receive the maximum benefits of the information contained in this booklet, we suggest you treat this as you would a workbook. Start at the beginning and work through to the end, making notes along the way.

IS ENTREPRENEURSHIP RIGHT FOR YOU?

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

en-tre-pre-neur *noun*
 \,ä'n-trə-p(r)ə-nər, -n(y)ūr/
 : one who organizes, manages, and assumes the risks of a business or enterprise

STEP 1: IS ENTREPRENEURSHIP FOR YOU?

| Question | Explanation |
|---|--|
| Are you a self-starter? | It will be up to you—not someone else telling you—to develop projects, organize your time, and follow through on details. |
| How well do you get along with different personalities? | Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants, or consultants. Can you deal with a demanding client, an unreliable vendor, or an unreliable employee? |
| Are you bankable? | The lender will be expecting you as the business owner to share in the financial risk of your project. The lender will be looking for good credit score of 650 or more, 100% collateral, and at least 20% equity. |
| Have you addressed the need for your product or service in the target market? | There has to be an unfilled need in the market that your business will be able to fill in order for your business to be sustainable. Are there many other options or substitutes for your offering? If so, you may need to re-evaluate. |
| Do you know who your target market is? | Once the need is determined to exist, you need to identify the primary customer who will pay money for your offering. You need to be able to describe this customer(s) down to their income, tastes, and motivators with decision making. |
| Are you prepared, if necessary, to temporarily lower your standard of living until your business is firmly established? | As a small business owner you may not bring as much money home as you do currently with a full-time job, if any money at all. Are you prepared (and is your family prepared) to adjust your lifestyle to accommodate a decrease in income and less free time? |
| Have you ever worked in a managerial or supervisory capacity? | Your professional background is going to be a factor when running a business. Do you have the management history and interpersonal skills to be an effective boss? |
| How good are you at making decisions? | Small business owners are required to make decisions constantly, often quickly, under pressure, and independently. |
| Do you have the physical and emotional stamina to run a business? | Business ownership can be challenging, fun and exciting. But it's also a lot of work. Can you face 12-hour work days six or seven days a week if necessary? |
| How well do you plan and organize? | Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules, and production can help avoid many pitfalls. |
| Is your drive strong enough to maintain your motivation? | Running a business can wear you down. Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation can make the business succeed and will help you survive slowdowns as well as periods of burnout. |
| How will the business affect your family? | The first few years of business startup can be hard on family life. The strain of an unsupportive spouse may be hard to balance against the demands of starting a business. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk. |

The New Business Checklist

Provided by QuickBooks

DETERMINE YOUR BUSINESS

- Focus your idea
- Research your idea
- Choose a business name
- Write a business plan

STRUCTURE YOUR BUSINESS

- Choose an organization type
- Consult professionals (CPA, tax accountant, or attorney)
- Set up your financial systems

PREPARE ALL NECESSARY FORMS, PERMITS, AND LICENSES

- Overview of federal, state, and local requirements
- File company papers with the Secretary of State's office
- Obtain a federal tax identification number
- Register your business name
- Obtain all necessary licenses and permits
- Fulfill all employer requirements
- Secure intellectual property
- Take care of local requirements (zoning, building codes)

FUND YOUR BUSINESS

- Use your own assets
- Borrow from friends and family
- Borrow from a bank
- Other sources of equity funding

TAXES AND INSURANCE

- Fulfill all tax requirements
- Keep detailed records of all deductible expenditures
- Obtain insurance to mitigate risk



Planning Your Business

Now that you have examined your qualifications to be a business owner, it's time to start your business planning process!

The Business Plan

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

The following outline of a typical business plan can serve as a guide. You can adapt it to your specific business. Breaking down the plan into several components will make writing it more manageable. Technical assistance is provided free of charge at Big Sky Economic Development through the Small Business Development Center. Call and set up an appointment with one of our knowledgeable business advisors.

INTRODUCTION

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.

MARKETING

- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed.
- Explain the pricing strategy.

FINANCIAL MANAGEMENT

- Explain your source and the amount of initial equity.
- Develop a monthly operating budget for the first year.
- Develop an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two-year period.
- Identify your breakeven point.
- Explain your personal budget and method for compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide "what if" statements that address alternative approaches to any problem that may develop.

OPERATIONS

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to your business.
- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

CONCLUDING STATEMENT

- Summarize your business goals and objectives and express your commitment to the success of your business.
- Once you have completed your business plan, review it with a business colleague first and then with the Small Business Development Center
- When you feel comfortable with the content and structure, make an appointment to review and discuss it with your banker. The business plan is a flexible document that should change as your business grows.

Source: www.sba.gov

Resource:
Small Business Development Center
222 N 32nd St. Ste. 200
Billings, MT 59101
406-254-6014
www.bigskyeda-edc.org/small-business-development.php

Feasibility Strategy

IS YOUR BUSINESS IDEA FEASIBLE?

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

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

RESEARCHING YOUR MARKETS

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

Primary Data:

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

Secondary Data:

- Visit your public library.
- Contact trade associations (i.e. trade shows and trade journals).
- Contact the Small Business Development Center. See the Resource Directory for contact information.

- Use various search engines on the Internet (i.e. Yahoo, Bing, Google, MSN etc.).

MARKETING YOUR BUSINESS

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

- Who are my customers? (This determines your target market.)
- Where are they?
- How many are there? (This indicates your market size.)
- What are their needs?
- Who are my competitors?
- How does my competition do it? (One method of marketing/dealing with competition is the end-run strategy. In this strategy you adopt your competitors' strategy with the intention of making it better.)
- How can I reach my target market? (The distribution of your product is very important. Where your product is located determines how well it sells.)

- How much will the target customer pay? (The pricing of your product is also very important. You must take into consideration what your competitors charge.)
- What are the market trends? (What are people buying? It is important to be aware of what market trends are. This relates back to knowing your customers' needs. Try to distinguish between trends and fads.)
- What are the technological trends? (One obvious answer to this question is the Internet. Will you be using technology? How can it be used to help your business? Do you need to advertise on the Internet? Do you need a network of computers for your business? If you are in a business related to technology, it is imperative that you stay abreast of any changes.)

Resource:
Small Business Development Center
222 N 32nd St. Ste. 200
Billings, MT 59101
406-254-6014
www.bigskyeda-edc.org/small-business-development.php

Funded in part through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance.

Contact Big Sky Economic Development
222 N. 32nd St., Suite 200
Billings, MT 59101
406-254-6014.



Determine Cash Needed to Start Business

All of the costs/expenses can be estimated with accuracy through research on the internet and obtaining quotes from the appropriate vendors/government agencies. Add up all monthly expenses and multiply by the amount of months you will need cash flow during your business's first year of operation (This is considered your working capital and the bank will most likely not lend you this total amount.). Finally, add the start-up costs to the cash needed. This is the total cash needed to start your business.

| Item(s) Needed | START-UP COSTS | ONGOING MONTHLY EXPENSES |
|--|----------------|--------------------------|
| Salary of Owner/Exempt Emp. | No | Yes |
| Non-Exempt Employee Payroll | No | Yes |
| Rent (Building/Equipment) | No | Yes |
| Purchase of Building | Yes | No |
| Loan Payment | No | Yes |
| Advertising <small>(Website, signage)</small> | Yes | Yes |
| Supplies | Maybe | Yes |
| Inventory | Yes | Yes |
| Internet/Telephone/Fax/Cable | No | Yes |
| Deposits for Utilities/Services | Yes | No |
| Utilities | Maybe | Yes |
| Insurance | No | Yes |
| Taxes (including Social Security) | No | Yes |
| Maintenance/Repairs | No | Yes |
| Leasehold Improvements | Yes | No |
| Legal/Professional Fees | Yes | Yes |
| Purchase of Equipment | Yes | Maybe |
| Licenses & Permits | Yes | Yes |

Financing Information

MARKETING YOUR BUSINESS

When starting a business, one important consideration is where to obtain capital to back your venture. Most startup businesses require a capital contribution by the business owner, usually 20%-30% (start-up businesses are more likely going to contribute 25% or more). The remaining financing may be available from local banks, a Certified Development Company, or private investors. There are several loan programs available to businesses, all of which require bank participation. Examples include the following SBA loans currently available.

- SBA Guaranteed Loan Program 7(A).** This program provides financing to small businesses through guaranteeing a percentage of the bank's loan to the business. Eligible expenditures are for land and building, machinery and equipment, working capital, and some restructure of existing debt. The maximum SBA will guarantee is \$750,000 and not more than 75% of the total loan. The USDA and BIA offer Guaranteed Loan programs as well.
- SBA 504 Loan Program.** This program provides financing for small businesses through a low interest, fixed rate, and a long-term loan. The Small Business Administration (contributing 40%) takes a second line position behind the bank (50%) and the borrower is in third place (at least 10% equity). Eligible expenditures are for land and building, long-life machinery and equipment. The maximum the SBA will finance is \$1.5 million (for eligible manufacturers this amount may be greater). Job creation is a requirement of the program.

- Revolving Loan Fund.** Businesses in Billings may qualify for loan funds through a Revolving Loan Fund. Big Sky Economic Development, Beartooth RC & D, and Montana CDC offer a revolving loan fund. Big Sky EDC's Revolving Loan Fund benefits the borrower in that the funds are available for fixed assets, inventory and working capital. The fund offers low origination fees and a competitive fixed five-year interest rate.

All loan programs require that certain standards be met. A loan applicant must be of good character, show the ability to operate a small business successfully, and have a reasonable amount of his/her own resources to invest to withstand possible losses. In addition, the following will likely be required:

- Credit Report (score 650 and above)
- Collateral adequate to secure the debt (100%) (including a list of collateral and its value);
- Appraisals on the real property used as collateral;
- Personal guarantees of those persons (or companies) with 20% ownership and/or key employees;
- Secondary collateral;
- Personal financial statements and financial statements of business, if applicable; and
- Business Plan.

Resource:
 Business Finance Department
 222 N 32nd St. Ste. 200
 Billings, MT 59101
 406-256-6871
www.bigskyeda-edc.org/finance-tax.php

Demographic Information

A variety of free demographic information is available via the internet. A few are provided below. This information breaks down the population by different categories such as age, sex, race, income, education, and even tastes. It can be used to help identify the number of people within your target market that would potentially use your business or services.

MSU-B CENTER FOR APPLIED ECONOMIC RESEARCH
www.msubillings.edu/caer/index.htm

CENSUS & ECONOMIC INFORMATION CENTER/MONTANA DEPARTMENT OF COMMERCE
ceic.mt.gov

MONTANA DEPARTMENT OF LABOR & INDUSTRY
wsd.dli.mt.gov/service/rad.asp

CENTRAL INDEX OF ECONOMIC INSTITUTIONS
edirc.repec.org

U.S. CENSUS
www.census.gov

U.S. DEPARTMENT OF LABOR
www.dol.gov/dol/topic/statistics/index.htm

MONTANA TOURISM
www.travelmontana.org/research

USA.GOV
www.usa.gov/Topics/Reference_Shelf/Data.shtml

BUREAU OF ECONOMIC ANALYSIS (BEA)
www.bea.gov

MONTANA MEANS BUSINESS
montanameansbusiness.com

Legal Aspects of Starting a Business

Deciding the legal structure of your business is a critically important decision. This determines the taxes that you'll pay, the level of personal liability you will have for your business's debts and various rules and regulations governing your business.

Before you enter into any of these four forms of business that you contact a business attorney, CPA, or other qualified advisor. Don't risk a mistake! Also, contact the Small Business Development Center for more information.

THERE ARE FOUR BASIC FORMS THAT A NEW BUSINESS CAN FILE AS:

- **Sole Proprietorship**
- **Partnership** (general, limited, or limited liability)
- **Corporation** (C or S)
- **Limited Liability Company** (LLC)

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Specializing in business law, employment law, securities matters, commercial litigation, contract disputes, construction law, mediations and arbitrations.

A **sole proprietorship** is owned and operated by one person. Under Federal law, it is not actually considered a separate legal entity. It is instead considered an extension of the person who owns the business. This individual has sole ownership of assets but is also solely liable for the debts of the business.

A **partnership** can be formed in three ways. A general partnership is comprised of two or more individuals who join to start a business. Each person has proportional ownership of the business assets and proportional liability for business debts. Each person also has authority in running this business. A partnership agreement can be drawn up to alter each person's particular liability. However, despite this document, creditors may collect from each and every member of the partnership (this may include personal assets).

A limited partnership is made up of one or more general partners as well as one or more limited partners. Limited partners contribute capital and share in profits/losses. These limited partners, however, take no part in the running of the business and are not held liable for the organization's debts.

A limited liability partnership is very similar to a limited liability company (LLC) which is discussed below and is generally used by those types of businesses prohibited by statute from being organized as a limited liability company. In an LLP, all partners may act essentially as general partners, but are generally protected from liability for the partnership's debts. An LLP is taxed like a regular partnership, but must be registered with the Secretary of State.

Whether taking part in a general, limited, or limited liability partnership, it is advisable that you draw up a partnership agreement. This document will detail each partner's rights and their responsibilities. Partnerships are required to file informational tax forms with both federal and state governments. While the partnership is not typically taxed on income, each partner reports share of income for the partnership on his/her personal tax returns.

A **corporation** is an entity which must be approved by the state of Montana through the Office of the Secretary of State. A corporation must file federal, state, and local tax returns on its operations. One advantage to a corporation is the protection from liability afforded to shareholders. However, when an organization is small, creditors may require personal guarantees of predominant owners. A disadvantage of the corporation is that the organization's income can be taxed twice (once on the business's corporate tax return and again on the shareholder's personal income tax returns for any dividends paid to the shareholders). To address the issue of double taxation a business can elect to be an S Corporation. This status allows income of the company to flow through to the shareholder's personal income tax return. When filing for S Corporation status, please consult a professional.

To incorporate your business you must file paperwork with the Montana Secretary of State. Once incorporated, you will be required to register and pay fees annually. Publication of the intent to incorporate is also required.

A **limited liability company (LLC)** is a relatively new form of business entity in Montana that includes some of the characteristics of the other business entities. The owners are known as members, and the LLC has the potential to shield its members from personal liability like a corporation. However, the profits generated by the business pass through the business entity to the members. The default structures used for taxation purposes are a Partnership (for multiple-member LLCs) and Sole Proprietorship (for single-member LLCs).

An attorney should handle the creation of your business entity for you. In addition to creating your business, there are more activities that must be performed. An attorney will advise you concerning those other requirements.

Resource:
Montana Secretary of State Linda McCulloch
1301 E. 6th Avenue
Helena, MT 59601
Phone: (406) 444-2034
Fax: (406) 444-3976
sos.mt.gov/index.asp

Registration of Assumed Business Name

In the state of Montana, if you are structured as a sole proprietor you are not required to register your business name with the state. It is recommended that every business conduct a business entity search on the Montana Secretary of State's website to make sure that a pre-existing business is not already operating under the same name.

It is also recommended that a national search is done as well. IT IS ALSO ADVISED THAT EVERY BUSINESS REGISTER THEIR ASSUMED BUSINESS NAME WITH THE MONTANA SECRETARY OF STATE. If you have any questions regarding registration of assumed business name, contact the Business Services with the Montana Secretary of State at the address or phone number listed below.

Resource:
Montana Secretary of State
Business Services
P.O. Box 202801
Helena, MT 59620-2801
Phone: (406) 444-3665 - Business Entity
sos.mt.gov/Business/index.asp

Resource:
United States Patent & Trademark Office
Mail Stop
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov/about/index.jsp

A corporation or limited liability company will not need to file this registration, as it will already be registered with the Montana Secretary of State. The fee for trade name registration is approximately \$20. The Business Services office will provide any paperwork that needs to be completed, or you can do so online at the above web address.

The Secretary of State

The Montana Office of the Secretary of State can provide you with ample information regarding many different areas of your business including:

- **Corporation** - establishing your legal structure with online forms and applications
- **Professional Licensure** - information regarding applying for and renewing professional licenses
- **Securities & Business Regulation** - including securities, cemeteries, and charities
- **Elections and Montana Voter Information**
- **State Capitol information**

Resource:
Montana Secretary of State
sos.mt.gov

EXECUTIVE OFFICES
State Capitol Building
1301 E. 6th Avenue
Helena, MT 59601
Phone: 406-444-2034
Fax: 406-444-3976

RECORDS AND INFORMATION MANAGEMENT
1320 Bozeman Street
Helena, MT 59601
Phone: 406-444-9000
Fax: 406-444-9002

ADMINISTRATIVE RULES SERVICES
1236 6th Avenue
Helena, MT 59601
Phone: 406-444-2055
406-444-2842
Fax: 406-444-4263

ELECTIONS DIVISION/ GOVERNMENT SERVICES
State Capitol, Room 260
1301 6th Avenue
Helena, MT 59620
Phone: 406-444-4732
Fax: 406-444-2023

NOTARY SERVICES
1236 6th Ave
Helena, MT 59601
Phone: 406-444-5379
406-444-1877
Fax: 406-444-4263

BUSINESS SERVICES
State Capitol, Room 260
1301 6th Avenue
Helena, MT 59620
Phone: 406-444-5522
Annual Reports:
406-444-3665
Business Entity:
Phone: 406-444-2468
Fax: 406-444-3976

MEDIA CONTACT
Phone: 406-444-2807
Fax: 404-657-5804

State Issued Licenses

Some businesses are required to apply for licensing through the state of Montana. For more information on license verification and renewal, visit the Montana Department of Labor and Industry Business Standards Division website at:

bsd.dli.mt.gov/license/license.asp

Licensing and Permit Information

BUSINESS LICENSE (ALSO CALLED AN OCCUPATIONAL TAX)

If you plan to operate a business in the state of Montana, you may have to obtain a city or county business license. In some cases such as home-based businesses and some county areas outside the incorporated city limits, no license is needed. You should discuss the details of your situation with the licensing department. The fee for a license is contingent on the location, type, and size of your business.

Resource:
For conducting business within the City of Billings
City of Billings
210 N. 27th St
Billings, MT 59101
ci.billings.mt.us/index.aspx?NID=981

Resource:
For conducting business within the City of Laurel
City of Laurel
215 S 1st St
Laurel, MT
www.laurel.mt.gov

Zoning

Once you have chosen a tentative location for your business, contact the zoning department to determine the permitted uses of that location. There might be special restrictions on that area. **DO NOT INVEST ANY MONEY IN A LOCATION UNTIL ZONING HAS BEEN THOROUGHLY RESEARCHED!!!**

The Office of Zoning Administration can help you determine if your location and type of business are in compliance with ordinances. You will be required to submit your business plans to the zoning office to determine if the business complies/can be adapted to comply with the following:

- Current zoning classifications
- Building setbacks
- Off-street parking availability and service entrance requirements
- Buffer yards or required screening
- Lot area minimum
- Sign regulations

Sign permits are required for erecting and placing any mounted or free-standing signs. Applications are filed through the zoning office. For specific information about the signage, contact your local Zoning Administrator or Commissioner's office. If your plans do not/cannot meet these specifications, you can discuss options with the zoning office. If you find the current zoning classification of your potential location does not allow for your business, you may file an appeal for rezoning. In order to file this appeal, contact the Zoning Administrator's office. An answer on this appeal can usually be expected 4-5 weeks after submission of your application packet.

Resource:
City & County Planning Division
City of Billings
510 N. Broadway - 4th floor
Billings, MT 59101
Phone: 406-657-8246
Fax: 406-657-8327
ci.billings.mt.us/index.aspx?nid=184

Building Construction, Renovation & Occupancy

A building permit must be obtained for both new construction and renovations of additions to existing buildings. Before you may construct a new facility or renovate an existing one, you must have this permit. Once you have obtained a building permit, complied with the regulations pertaining to the area you are in, and construction is complete, your facility will be inspected. You will then apply for a Certificate of Occupancy. Without this certificate, it is illegal for your business to reside in the facility.

Resource:
Building Division
City of Billings
510 N. Broadway - 4th floor
Billings, MT 59101
Phone: 406-657-8246
Fax: 406-657-8327

Health Permits

If your business involves food processing, handling, storage, or distribution, you must obtain permits from your local County Health Department, (Riverstone Health for Yellowstone County), which handles the permits for the entire county and city. If you are unsure if your business needs a permit, contact the Health Department.

Resource:
Environmental Health Services
Riverstone Health
123 South 27th Street
Billings, MT 59101
Phone: 406-247-3200
www.riverstonehealth.org/PublicHealth/EnvironmentalHealthServices/tabid/105/Default.aspx

The Mission Mountain Food Enterprise Center assists individuals, small businesses and

agricultural enterprises to become viable competitors in diverse global markets. Advisory services offered are: HACCP Plan development; market analysis; food product development; label and packaging development; pricing structure; and co-packing. Contact information is listed below.

Resource:
Mission Mountain Food Enterprise Center
405 Main St., P.O. Box 722
Ronan, MT 59864
Phone: (888) 353-5900
www.mmfec.com

Federal Licensing

Most new small businesses will not require any type of federal licensing to conduct business, unless you will be engaged in one of the following activities:

- Rendering investment advice
- Making alcoholic products
- Making tobacco products
- Preparing meat products
- Making or dealing in firearms

You will need a Federal permit to also start large operations such as a television station, radio station, common carrier, or producer of drugs or biological products. The aforementioned businesses are all heavily governmentally regulated. For more information on federal licensing for these types of businesses, contact:

Resource:
The U.S. Department of Alcohol, Tobacco, and
Firearms
Billings Field Office
2929 Third Avenue North, Room 528
Billings, Montana 59101 USA
Phone: (406) 657-9700
Fax: (406) 657-9701

Resource:
The U.S. Federal Drug Administration
10903 New Hampshire Ave
Silver Spring, MD 20993-0002
1-888-INFO-FDA (1-888-463-6332)
www.fda.gov/

Resource:
The U.S. Federal Communications Commission
445 12th Street SW, Washington, DC 20554
Phone: 1-888-225-5322
TTY: 1-888-835-5322
Fax: 1-866-418-0232
www.fcc.gov/

Employer Tax Responsibilities

INCOME TAXES

Federal

Businesses with employees must pay employer taxes and withhold employee taxes for the Federal government. The EFTPS is used for Federal tax deposits. The U.S. Department of Revenue will determine the time of payment. You will be required to withhold Social Security and Medicare taxes on gross wages. In addition to this withholding, the employer must pay a matching amount. Withholding amounts are also dependent on the W-4 form from the employee. You should consult the current year tax table for present percentages.

State

Businesses with employees must pay employee taxes and withhold employee taxes for the State of Montana. The State of Montana will provide a coupon book to accompany your state deposits. These deposits may be required monthly, quarterly, or annually. The Montana Department of Revenue will determine the time of payment. As with Federal income taxes, you will be required to withhold Social Security and Medicare taxes on gross wages. In addition to this withholding, the employer must pay a matching amount. Withholding amounts are also dependent on the W-4 form from the employee. You should consult the current year tax table for present percentages.

Resource:
Montana State Department of Revenue
Toll-free: (866) 859-2254
revenue.mt.gov/forbusinesses/default.mcp

Unemployment Insurance Taxes

Employers pay unemployment insurance taxes as a business cost through the State Unemployment Tax Act (SUTA) and the Federal Unemployment Tax Act (FUTA.) FUTA is normally remitted on a quarterly basis via the EFTPS. Tax payments cannot be deducted or withheld from the employee's wages.

The Montana Department of Labor collects the State Unemployment Insurance Tax (SUTA). Newly

liable employers are assigned a beginning tax rate that can vary between different industries and pay the tax on the applicable wage-base. Wages include all remuneration for personal services, including commissions and bonuses and the cash value of all remuneration paid in any other medium other than cash. SUTA tax is remitted on a quarterly basis to the Montana Department of Labor & Industry.

Resource:
Billings Job Service
2121-B Rosebud Dr.
Billings, MT 59102
Phone: (406) 652-3080
wsd.dli.mt.gov/local/billings

For further information on unemployment Taxes, contact the Montana Unemployment Insurance Division at the website below for a complete directory of state resources regarding taxes and other new business needs.

Resource:
Montana Unemployment Insurance Division
Phone: (406) 444-3783
Fax: (406) 444-2699
TTY: (406) 444-0532
uid.dli.mt.gov

Workers' Compensation Insurance

Workers' Compensation insurance is required of all businesses with employees excluding corporate owner-employees who have elected the exemption. The rates vary with the business type and the risk level. For more information, contact the Montana State Fund.

Resource:
Montana Department of Revenue
Employee Relations Division
P.O. Box 8011
Helena, MT 59624
revenue.mt.gov/default.mcp

Resource:
Montana State Fund
P.O. Box 4759
Helena, MT 59604-4759
Phone: (406) 495-5000
Toll Free: (800) 332-6102
www.montanastatefund.com/wps/portal

Payroll Taxes

There are taxes that as an employer you are responsible for both withholding from employee wages as well as paying yourself. For more complete information on employer taxes, see Labor and Safety Regulations Information on page 23.

Federal Tax Identification Numbers

Your federal tax identification number is the number used to file your taxes. A Taxpayer Identification Number (TIN) is an identification number used by the Internal Revenue Service (IRS) in the administration of tax laws. If you are a sole proprietorship, you may use your Social Security Number. Sole proprietors with employees must have a TIN. Partnerships and corporations will need a Federal Tax ID number. To determine whether you need a Tax ID number, contact your attorney or accountant.

Other Taxes

STATE OF MONTANA

Big Sky Economic Development strongly encourages all business owners to consult a CPA regarding taxation. The following information is meant to be used as a quick reference and does not constitute legal advice.

Sales and Use Taxes

Montana does not have a general sales tax; therefore the state does not provide a sales tax exemption number. Manufacturers and distributors often ask for this number when purchasing products out-of-state. In place of this number it is suggested that you use the one number specific to the business (SSN or EIN). Another suggestion would be your business license number, if applicable. (Not all businesses are required to have a license number.)

Resource:
Montana Department of Revenue
Phone: Toll-free 1-866-859-2254; Helena 406-444-6900
TDD: 406-444-2830
montanafreefile.org/RTF1.cfm?pagename=Montana%20Department%20of%20Revenue%20

Federal Excise Taxes

There are some forms of business on which the U.S. government requires additional taxation. This will be a tax that you are responsible for collecting. This tax does not come out of your pocket. Typically, it is added to the sale price of your product or service. Quarterly Federal Excise Tax Return is used to file most federal excise taxes. Federal excise taxes can be broken into nine general categories of products and services, as follows:

- Motor vehicle use tax (vehicles greater than 55,000 lbs. gross weight);
- Retailers tax (certain types of fuels);
- Retail excise tax on the sales of the following: heavy trucks/trailers, tires and tubes, recreation equipment (e.g. fishing/hunting supplies), firearms, and ammunition;
- Air transportation tax (if you are transporting people by air, you have to collect this tax);
- Communications taxes (e.g. telephone or teletype services);
- Wagering taxes;
- Taxes on U.S. mined coal
- Environmental taxes (imposed in petroleum products, various chemicals, and hazardous wastes); and
- Alcohol, firearms, ammunitions, and tobacco taxes.

Be sure to contact the IRS for complete information on federal excise taxes.

Resource:
Internal Revenue Service
2900 4th Ave. N.
Billings, MT 59101
(406) 247-7446
www.irs.gov

State Excise Taxes

In addition to federal excise taxes, you may be responsible for collecting state excise taxes. The categories are comparable to the federal categories. Alcoholic beverages, tobacco products, motor carriers, and trucks with no more than two axles are included in the taxed categories. You should contact the Montana Department of Revenue for complete information.

Utilities

ESTABLISHING WATER, SEWER, AND GARBAGE SERVICE

To establish water, sewer, and garbage service in an existing location or new facility within Yellowstone County, you must contact the local Utility Department. You may be required to sign a service contract and pay a deposit.

To establish service in the City of Billings contact:

Public Works
2224 Montana Ave - 2nd Floor
Billings, MT 59101
406-657-8230

To establish service in the Custer area contact:

Custer Area/Yellowstone County, Water and Sewer District
321 4th Street
Custer, MT 59024
406-856-4160

To establish service in Huntley contact:

Huntley-Yellowstone Water District
1645 Date Street
Huntley, MT 59037-9116
406-348-2517

To establish service in Laurel or Park City contact:

Park City Water & Sewer District
120 1st Avenue Southwest
Park City, MT 59063
406-633-2910

To establish service in Lockwood contact:

Lockwood Water & Sewer District
1644 Old Hardin Road
Billings, MT 59101-6590
406-259-4120

To establish service in Worden or Ballantine contact:

Worden-Ballantine Water Sewer
3rd Street
Worden, MT 59088
406-967-2550

ESTABLISHING GAS SERVICE

To establish service in Yellowstone County:

Montana Dakota Utilities
1-800-MDU-FAST (1-800-638-3278)
www.montana-dakota.com/Pages/Overview.aspx

ESTABLISHING ELECTRICAL SERVICE

There are two different electrical companies that serve Yellowstone County.

Northwestern Energy
1944 Monad Road
Billings, MT 59102-6353
406-655-2543
www.northwesternenergy.com

Yellowstone Valley Electric Cooperative
P.O. Box 249
150 Cooperative Way
Huntley, MT 59037-0249
406-348-3411
Fax: 406-348-3414
www.yvec.com

ESTABLISHING TELEPHONE SERVICE

There are multiple telephone/communications providers that serve the Yellowstone County area. The following is a list of the main providers to contact for rates and service information.

AT&T
Customer Service or Sales: 1-888-944-0447

Optimum
Customer Service or Sales: 1-866-718-6097

Qwest/CenturyLink
Customer Service or Sales: 1-877-744-4416

Integra Telecom
Customer Service or Sales 1-888- 342-5987

Labor & Safety Regulation Information

EDUCATING YOURSELF ON LABOR/SAFETY ISSUES

The Montana Department of Labor & Industry is available to provide consultation to new businesses in the state. The local and state departments offer educational seminars and presentations throughout the year. These classes cover a wide range of labor-related topics such as labor laws, labor issues, prevailing wages, unemployment insurance, benefits, and employment services.

It is advisable to contact the local Montana Department of Labor office regarding these classes. These seminars are intended to provide you with all the information you need to prepare you for the employment aspect of running a business. You should begin these classes up to one year before your intended start-up. At these seminars you will be provided with a section of the instructional workbook. The Montana Department of Labor can help you walk through all of your employment and labor issues and concerns.

Resource:
Montana Department of Labor & Industry
P.O. Box 1728 Helena MT 59624-1728
Phone: 406-444-2840
Fax: 406-444-1394
TTY: 406-444-0532
dli.mt.gov

OSHA

The issuing and enforcing of occupational and safety health regulations is handled by the United States Department of Labor. The Occupational Safety and Health Administration (OSHA) is the federal agency which administers these policies. The requirements put forth by OSHA include posting notices to employees and maintaining accurate records of employee injuries. OSHA will provide you with the information on all requirements as well as related publications. OSHA policies and regulations must be posted in the workplace and visible to all employees.

In addition to OSHA, the U.S. government also supports the Employment Standards Administration, Mine Safety and Health Administration, Veterans Employment and Training Service, and the Pension and Welfare Benefits Administration. Each of these departments is designed to protect both the employer and employee. Similar to OSHA, each entity issues and enforces a unique set of requirements and regulations.

Resource:
Occupational Safety and Health Administration
U.S. Department of Labor
2900 4th Avenue North, Suite 303
Billings, Montana 59101
Phone: (406) 247-7494
http://www.osha.gov

Application, Hiring and Termination Processes State and Federal Employment Laws

There are basic ground rules to hiring and firing employees, and you should always consult with an employment attorney before making these decisions. If handled incorrectly, personnel issues can result in legal problems large enough to shut down your business. While this guide cannot provide legal advice, the following points are some of the things you should consider when faced with an employment situation. If in doubt, always make sure to use legal or other employment resources.

APPLICATION AND HIRING

DON'T:

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

DO:

- **Limit your interview questions to job duties.** There is no reason to ask questions that apply to the responsibilities of the position. You may ask an applicant if he/she has any barriers to completing the duties. Do not ask question like "Do you have children?" or "Are you married?" Small talk is acceptable if the interviewer is careful. Do not venture into conversations that might produce seemingly discriminatory information.
- **Make sure all company procedures follow employment statutes.** Have your advisors or attorney review your system for application, hiring, and termination before you begin hiring and periodically thereafter.

- **EDUCATE YOURSELF!!!** The best way to prevent problems is to be familiar with the law. When you are in doubt about any issue concerning labor or safety, contact the Montana Department of Labor & Industry and or the local Job Service office. See the Resource Directory for contact information.

TERMINATION

DO:

- **Review company policies.** If you have not yet developed company policies regarding the application, hiring, and termination, call the Montana Department of Labor & Industry or your local Job Service. Make a checklist of your procedures. Make sure that you have followed the rules in the firing process. If you have not yet completed your checklist, YOU SHOULD NOT TERMINATE THE EMPLOYEE YET. Take care to finish all steps in the process to alleviate any questions and possible legal repercussions.
- **Have a stated code of expected employee behavior.** Many employers face problems due to unclear expectations of conduct. It is easier to prove reasons for termination if such a code is in place. This documentation will be helpful if you are faced with paying restitution because it will show that you had a sufficient cause to terminate the employee.
- **Conduct an exit interview.** This allows you to tie up any loose ends. Final paychecks can be issued, and company property (e.g. keys, paperwork, and files) can be returned. Ask the employee what he/she liked or disliked about your company. Ask for feedback on aspects of your company of which this person has knowledge. This person might be a bit more forthcoming with problems or constructive criticisms than someone who still works there.
- **Keep termination of an employee between you (management) and the employee.** The fired employee will appreciate your decision on this matter. Termination should not be

discussed with other employees. Privacy can help you avoid harsh feelings and legal repercussions.

- **Have employees sign a release.** If you are offering the fired employee severance pay or anything else of value, have him/her sign a release of liability to the company. This may protect you in case of legal action.

WHERE TO FIND YOUR LABOR SOURCE

There are many resources through which one can find employees. The first things that typically come to mind are the classified advertisements in local newspapers.

Still have questions? Refer below and consult our Resource Directory to find the answer!

BUSINESS PLANNING RESOURCES

Small Business Development Center at Big Sky Economic Development
222 N 32nd St. Ste. 200
Billings, MT 59101
406-254-6014
www.bigskyeda-edc.org/small-business-development.php

SCORE (Senior Core of Retired Executives)
207 N Broadway
Billings, MT 59101
406-294-4422
www.score.org

BUSINESS DEVELOPMENT RESOURCES

Big Sky Economic Development
222 N. 32nd St. Ste. 200
Billings, MT 59101
406-256-6871
www.bigskyeconomicdevelopment.org

You can place ads in these publications for week long and even month long periods. Contact the publication you wish to use for more specific information. The Montana Department of Labor & Industry at your local Job Service is an agency that can assist you in finding employees.

Resource:
Billings Job Service
2121-B Rosebud Dr.
Billings, MT 59102
Phone 406-652-3080
wsd.dli.mt.gov/local/billings

Resource:
Associated Employers of Montana
2727 Central Avenue, Suite 2
Billings, Montana 59102
Phone: 406-248-6178
www.associatedemployers.org

Additional Resources

Montana Manufacturing Extension Center
Dale Detrick
222 N. 32nd St. Ste. 200
Billings, MT 59101
406-256-6871
www.mtmanufacturingcenter.com

Business Expansion and Retention at Big Sky Economic Development
222 N 32nd St. Ste. 200
Billings, MT 59101
406-256-6871
www.bigskyeda-edc.org/bear.php

Billings Chamber of Commerce
815 South 27th Street
Billings, Montana 59101
406-245-4111
www.billingschamber.com

Laurel Chamber of Commerce
108 East Main St.
Laurel, MT 59044
406-628-8105
www.laurelmontana.org

Montana Chamber of Commerce

P.O. Box 1730
Helena, MT 59624-1730
406-442-2405
Fax: 406-442-2409
www.montanachamber.com

Billings Job Service

2121-B Rosebud Dr.
Billings, MT 59102
406-652-3080
wsd.dli.mt.gov/local/billings

Governor's Office of Economic Development

P.O. Box 200801
Helena, MT 59620-0801
406-444-5634
business.mt.gov

City of Billings

210 N. 27th St
Billings, MT 59101
ci.billings.mt.us/index.aspx?NID=35

Small Business Administration

Montana District Office
10 West 15th Street Suite 1100
Helena, MT 59626
United States
406-441-1081
Fax: 406-441-1090
www.sba.gov/about-offices-content/3/3126

Downtown Billings Association

2815 2nd Avenue North
Billings, MT 59101
406-294-5060
Fax: 406-294-5061
www.downtownbillings.com

BUSINESS MARKETING RESEARCH RESOURCES**MSU-B Center for Applied Economic Research**

Scott Rickard
406-657-1763
www.msubillings.edu/caer/index.htm

Census & Economic Information Center/Montana Department of Commerce

301 S Park Ave
PO Box 200505
Helena MT 59620-0505
406-841-2740
Fax: 406-841-2731
TTD: 406-841-2702
ceic.mt.gov

Montana Department of Labor & Industry/Research & Analysis Bureau - Workforce Services Division

P.O. Box 1728, Helena, MT 59624
406-444-2430
Fax: 406-444-2638
Toll free: 800-541-3904
TDD: 406-444-0532
www.ourfactsyourfuture.org

U.S. Census

www.census.gov

U.S. Department of Labor

200 Constitution Ave., NW
Washington, DC 20210
1-866-4-USA-DOL (1-866-487-2365)
TTY: 1-877-889-5627
www.dol.gov

Montana Tourism

Montana Office of Tourism
PO Box 200533
Helena MT 59620-0501
406-841-2870
Fax: 406-841-2871
www.travelmontana.org/research

Bureau of Economic Analysis (BEA)

Acquisition Systems, Planning and Policy Branch
U.S. Census Bureau
Washington, D.C. 20233
301-763-1822
Fax: 301-763-4149
E-mail: Dijon.f.ferdinand@census.gov
www.bea.gov/index.htm

OTHER WEB-BASED RESOURCES FOR ENTREPRENEURS

| | |
|--|---|
| All Business | allbusiness.com |
| Business Finance | businessfinance.com |
| Business Planning Expert | bplans.com |
| Business Owner's Toolkit | toolkit.com |
| Duct Tape Marketing Entrepreneur.com | ducttapemarketing.com entrepreneur.com |
| Kauffman Foundation's Resources for Entrepreneurs | entrepreneurship.org |
| My Own Business | myownbusiness.org |
| PriceWaterHouseCooper - Vision to Reality | pwc.com |
| The Wall Street Journal Center for Entrepreneurs | startupjournal.com |
| Salary.com | salary.com |
| Famee Foundation | famee.org |
| Montana Technology Innovation Partnership (MTIP) | mtip.mt.gov/default.mcpix |

Glossary of Terms

Assets - Resources, owned or controlled by a company, that have future benefits. These benefits must be quantifiable in monetary terms.

Balance Sheet - A list of a company's assets, liabilities, and owner's equity at a particular point in time; assets=liabilities + owner's equity.

Break Even - The unit of volume where total revenue equals total cost; there is neither profit nor loss.

Capacity - The amount of goods or work that can be produced by a company given its level of equipment, labor, and facilities.

Capital - The money, property, and other valuables which collectively represent the wealth of a business: is used to generate income for that business.

Cash Flow - the movement of cash into and out of a company; actual cash received and actual payments made.

Cash Flow Statement - A presentation of the cash inflows and outflows for a particular period of time; these flows are grouped into major categories of cash from operations, cash investing from activities, and cash from financing activities.

Collateral - assets pledged in return for loans.

Conventional Financing - Financing from established lenders, such as banks, rather than from investors; debt financing.

Debt Financing - Raising cash for a business by borrowing, often in the form of bank loans (See Conventional Financing above).

Debt Service - Cash being paid out on a loan; the amount necessary to keep a loan from going into default.

Disbursements - Cash paid out.

Equity - Total assets minus total liabilities; here also called shareholder's equity or net worth or book value.

Expenses - Outflows of resources to generate revenues.

Fixed Costs - Those costs that are not responsive to changes in volume over the relevant time period.

Income Statement - A matching of a company's accomplishments (i.e. sales) with effort (expenses from operations) during a particular period of time (Revenues - Expenses = Net Income).

Leasehold Improvements - The changes made to a rented store, office or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business.

Letter of Intent - A letter or other document by a customer indicating the customer's intention to buy from a company.

Liabilities - Commitments to payout assets (typically cash) to or render services for creditors.

Licensing - The granting or permission by one company to another to use its products, trademark, or name in a limited, particular manner.

Liquidity - The ability to convert assets into cash.

Market Share - the percentage of total available customer base captured by a company.

Net Worth - The total ownership interest in a company, represented by the total amount of assets minus the total amount of liabilities.

Partnership - A legal relationship of two or more individuals to run a company; entity structure.

Gross Profit Margin - What remains from sales after a company pays out the cost of goods sold; Cost of Goods Sold/ Sales (percentage).

Pro Forma Statements - A financial statement detailing management's predictions.

Receipts - Funds coming into the company; the actual cash paid to the company for its products or services; not necessarily the same as a company's actual receipts.

SBA - Small Business Administration

SBDC - Small Business Development Center.

Sole Proprietorship - Company owned by one person.

Variable Costs - Those costs that are directly responsive to changes in volume over the relevant period of time.

Venture Capitalists - Individuals or firms who invest money in new enterprises.

Working Capital - The cash available to the company for the ongoing operations of the business.