

Small Business Start-Up Guide





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AMAYA XT



Dear Melco Customer,

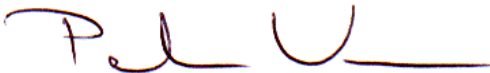
Congratulations on your decision to make Melco equipment a profit center for your business. This Small Business Start-Up Guide will provide you with some of the essential tools needed to help you get started and succeed at the embroidery business.

Inside this guide you will find a history of the company, something which we are proud of, as well as supply resources, and business guidelines. At Melco we strive to offer the best service and support, and this Small Business Start-Up Guide is yet another inventive and proactive way we can offer this to our customers.

We know that you, the customer, are the best source of marketing and support for our company, so your success is a key ingredient to ours. Melco embroidery systems by far the best and most innovative on the market today. This means that you have already made one very important step towards your future as an embroiderer.

Please take a moment to read through this guide to see all that it has to offer. We wish you all the best in your future as an entrepreneur in the embroidery industry.

Sincerely Yours,
Melco Industries, Inc.

A handwritten signature in dark ink, appearing to read 'Peter Kern', with a stylized flourish at the end.

Peter Kern
President & CEO

A Brief History of Embroidery

Embroidery is an ancient variety of decorative needlework in which designs and pictures are created by stitching strands of material on to a layer of another material. Embroidery has been a part of history for thousands of years; from Egyptian Pharaoh's robes to the Bayeux Tapestry—a record of the Norman Conquest of 1066 a.d.

Most embroidery uses thread or wool stitched onto a woven fabric; however the stitches can be executed in, for example, wire or leather strands. Embroidery can be worked onto many materials, non-woven traditional materials include leather and felt, but modern textile artists embroider on many non-traditional materials such as plastic sheeting or wood.

Today the embroidery industry is as strong as ever and it is nearly impossible to escape the presence of it in our everyday lives. In today's market, where there is such a strong emphasis on branding, companies are looking to get their name on anything they can, driving the market for embroidery. Technologies are advancing and our capabilities are increasing, making the market more flexible and lucrative.

Melco's History

Melco was founded in 1972 as an engineering collaboration directed towards developing advanced electronic and computer graphics applications. Over the last 30+ years, Melco has established itself as a pioneer of technology in the embroidery industry. From our innovative Digitrac system, the world's first computerized digitizing system, to our revolutionary modular embroidery system, Melco has remained an industry leader.

Melco is proud to say that to this day we continue to grow and expand our services to you, the customer, everyday. At our corporate headquarters we have a top notch development team working hard to make sure that we stay ahead of the industry and continue to revolutionize the embroidery market.

By placing your trust in us at Melco Industries, you have forged a relationship with the only company that can offer you supplies, training, support, and innovation all under one roof. Melco Industries is the first and best place to invest in your dreams as a future embroidery entrepreneur.





Melco Industries Contact Information

Sales and Marketing

Phone 800.366.3526 or 800.799.8313

Fax 303.252.0508

Service

Phone 877.890.5829

Fax 303.252.0466

Online www.melco-service.com

Parts

Phone 800.877.4272

Fax 303.451.5605

ShopMelco

Phone 800.877.4272

Fax 800.637.0905

Online www.shopmelco.com

All Other Inquiries

Phone 303.457.1234

Melco Online

Melco Industries, Inc. www.melco.com

MelcoUniversity www.melcouniversity.com

Melco Service Hours

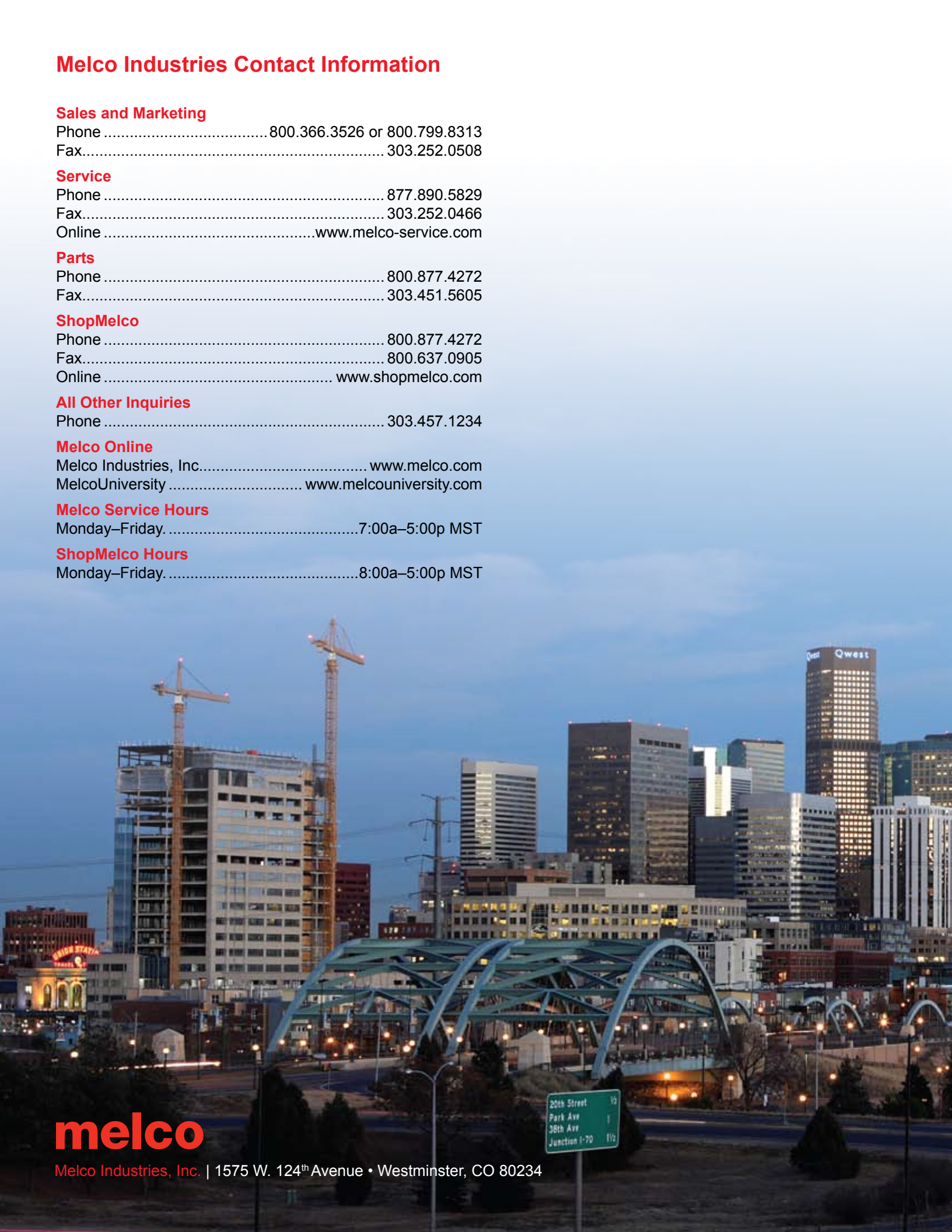
Monday–Friday 7:00a–5:00p MST

ShopMelco Hours

Monday–Friday 8:00a–5:00p MST

The Melco Industries logo, featuring the word "melco" in a bold, lowercase, sans-serif font. The "m" and "l" are connected, and the "c" is a simple curve. The color is a bright orange-red.

Melco Industries, Inc. | 1575 W. 124th Avenue • Westminster, CO 80234



Melco Industries Sales Offices

Arizona

26819 N. 43rd Street • Cave Creek, AZ 85331

California (Northern)

7405 Greenback Ln., #216 • Citrus Heights, CA 95610

California (Southern)

2444 W. 205th St., Ste. 2 • Torrance, CA 90501

Colorado

1575 W. 124th Ave. • Denver, CO 80234

Georgia

626 Holcomb Bridge Rd., Ste. 350 • Roswell, GA 30076

Illinois

4245 Grove Ave. • Gurnee, IL 60031

Massachusetts

10 Forbes W., Ste. #155E • Braintree, MA 02184

Michigan

16950 Nineteen Mile Rd., Ste. 1A • Clinton Twp., MI 48038

Minnesota

750 S. Plaza Dr., Ste. 203 • Mendota Heights, MN 55120

New Jersey

20 Center Ave., Ste. 2 & 3 • Atlantic Highlands, NJ 07716

North Carolina

19901 W. Catawba Ave., Ste. 206 • Cornelius, NC 28031

Texas

4011 W. Plano Pkwy., Ste. 122 • Plano, TX 75093



Ask Yourself:

Is Entrepreneurship For You?

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

Are you a self-starter?

It will be up to you 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 a cranky staff person, in the best interest of your business?

How good are you at making decisions?

Small business owners are required to make decisions constantly, often quickly, under pressure, and independently.

Do you have the physical and emotional stamina to run a business?

Business ownership can be challenging, fun, and very rewarding. But it's also a lot of work. Can you face 12-hour work days, six or seven days a week?

How well do you plan and organize?

Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules, and production can help avoid many pitfalls.

Is your drive strong enough to maintain your motivation?

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

How will the business affect your family?

The first few years of business start-up 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.

ON THE UPSIDE:

It's true; there are a lot of reasons not to start your own business. But for the right person, the advantages of business ownership far outweigh the risks.

- 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, challenge and opportunities to learn.



How to Start a Small Business

Starting and managing a business takes motivation, desire, and talent. It also takes research and planning.

Like a chess game, success in small business starts with decisive and correct opening moves. And although initial mistakes are not fatal, it takes skill, discipline, and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well thought out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success.

Getting Started

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You want creative freedom.
- You want to maximize the potential of your skills and knowledge.

Next you need to determine what business is “right for you.”

Ask yourself these questions:

- What do I like to do with my time?
- What technical skills have I learned or developed?
- What do others say I am good at?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

Next identify the niche your business will fill.

Conduct the necessary research to answer these questions:

- Is my idea practical and will it fill a need?
- What is my competition?
- What is my business advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?



The final step before developing your plan is the pre-business checklist.

You should answer these questions:

- What business am I interested in starting?
- What services or products will I sell? Where will I be located?
- What skills and experience do I bring to the business?
- What will my legal structure be? (See overview below)
- What will I name my business?
- What equipment or supplies will I need?
- What insurance coverage will be needed?
- What financing will I need?
- What are my resources?
- How will I compensate myself?

Your answers will help you create a focused, well-researched business plan that should serve as a blueprint. It should detail how the business will be operated, managed, and capitalized.



Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of the business. Factors influencing your decision about your business organization include:

- Legal restrictions
- Liabilities assumed
- Type of business operation
- Earnings distribution
- Capital needs
- Number of employees
- Tax advantages or disadvantages
- Length of business operation

The advantages and disadvantages of sole proprietorship, partnership, and corporation are listed below.

Sole Proprietorship

This is the easiest and least costly way of starting a business. A sole proprietorship can be formed by finding a location and opening the door for business. There are likely to be fees to obtain business name registration, a fictitious name certificate, and other necessary licenses. Attorney's fees for starting the business will be less than the other business forms because less preparation of documents is required, and the owner has absolute authority over all business decisions.

Partnership

There are several types of partnerships. The two most common types are general and limited partnerships. A general partnership can be formed simply by an oral agreement between two or more persons, but a legal partnership agreement drawn up by an attorney is highly recommended. Legal fees for drawing up a partnership agreement are higher than those for a sole proprietorship, but may be lower than incorporating. A partnership agreement could be helpful in solving any disputes. However, partners are responsible for the other partner's business actions, as well as their own.

A Partnership Agreement should include the following:

- Type of business
- Amount of equity invested by each partner
- Division of profit or loss
- Partner's compensation
- Distribution of assets on dissolution
- Duration of partnership
- Provisions for changes or dissolving the partnership
- Dispute settlement clause
- Restrictions of authority and expenditures
- Settlement in case of death or incapacitation

Corporation

A business may incorporate without an attorney but legal advice is highly recommended. The corporate structure is usually the most complex and is more costly to organize than the other two business formations. Control depends on stock ownership. Persons with the largest stock ownership, not the total number of shareholders, control the corporation. With control of stock shares or 51 percent of stock, a person or group is able to make policy decisions. Control is exercised through regular board of directors' meetings and annual stockholders' meetings. Records must be kept to document decisions made by the board of directors. Small, closely held, corporations can operate more informally, but record-keeping cannot be eliminated entirely. Officers of a corporation can be liable to stockholders for improper actions. Liability is generally limited to stock ownership, except where fraud is involved.

Business Plan Outline

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 helps make drafting it a more manageable task.

Introduction

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

*NOTE: In-depth help on developing a sound business plan can be found on the SBA Web site in the Starting Area.

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 capital.
- 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.
- Discuss your break-even point.
- Explain your personal balance sheet and method of 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 friend or business associate or a Service Corps of Retired Executives (SCORE) or Small Business Development Center (SBDC) counselor. (See SCORE and SBDC listings in this guide).
- When you feel comfortable with the content and structure make an appointment to review and discuss it with your lender. The business plan is a flexible document that should change as your business grows.

TO LEASE OR NOT TO LEASE: THINGS TO KNOW

Get the answers. Here are some questions to ask before signing a lease for a building or space for your business:

1. Does the lease specifically state the square footage of the premises? The total rentable square footage of the building?
2. Is the tenant's share of expenses based on total square footage of the building or the square footage leased by the landlord? Your share may be lower if it's based on the total square footage.
3. Do the base year expenses reflect full occupancy or are they adjusted to full occupancy (i.e., base year real estate taxes on an unfinished building are lower than in subsequent years)?
4. Must the landlord provide a detailed list of expenses, prepared by a CPA, to support increases?
5. Does the lease clearly give the tenant the right to audit the landlord's books or records?
6. If use of the building is interrupted, does the lease define the remedies available to the tenant, such as rent abatement or lease cancellation?
7. If the landlord does not meet repair responsibilities, can the tenant make the repairs, after notice to the landlord, and deduct the cost from the rent?
8. Is the landlord required to obtain nondisturbance agreements from current and future lenders?
9. Does the lease clearly define how disputes will be decided?

(Source: 327 Questions to Ask Before You Sign a Lease, by B. Alan Whitson (B. Alan Whitson Co., (800) 452-4480.)

Learn the Lingo

Lessor	Landlord
Lessee	Tenant
Right of First Refusal	Before vacant space is rented to someone else, landlord must offer it to the current tenant with the same terms that will be offered to the public.
Gross Lease	Tenant pays flat monthly amount; landlord pays all operating costs, including property taxes, insurance, and utilities.
Triple Net Lease	Tenant pays base rent, taxes, insurance, repairs, and maintenance.
Percentage Lease	Base rent, operating expenses, common area maintenance, plus percentage of tenant's gross income (most common for retailers in shopping malls).
Sublet	Tenant rents all or part of space to another business; tenant is still responsible for paying all costs to landlord.
Assign Lease	Tenant turns lease over to another business, which assumes payments and obligations under the lease.
Anchor Tenant	Major store or supermarket that attracts customers to a shopping center.
Exclusivity Provision	Shopping center can't lease to another who provides the same product or service that existing tenant does.
CAM	Common Area Maintenance charges including property taxes, security, parking lot lighting and maintenance; may not apply to anchor tenants in retail leases.
Nondisturbance Clause	Tenant cannot be forced to move or sign a new lease if building or shopping center is sold or undergoes foreclosure.

FINDING THE MONEY YOU NEED

Financing Your Business Start-Up

One key to a successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities. But, as many new entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process. However, if you are informed and have planned effectively, raising money for your business will not be a painful experience.

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

Financial Sources

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

- **Personal savings:** The primary source of capital for most new businesses comes from savings and other forms of personal financial resources. While credit cards are often used to finance business needs, there may be better options available, possibly very small loans.
- **Friends and relatives:** Many entrepreneurs look to private financial sources, such as friends and family, when starting out in a business venture. Often, money is loaned interest-free or at a low interest rate, which can be beneficial when getting started.
- **Banks and credit unions:** The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.
- **Venture capital firms:** These firms help expanding companies grow in exchange for equity or partial ownership.

Borrowing Money

It is often said that small business people have a difficult time borrowing money. This is not necessarily true.

Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests.

Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: High Risk!

To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You have to be able to convince your lender that you are a low credit risk.

Small Business Administration (SBA) Loan Maturities

SBA loan programs are generally intended to encourage longer term small business financing, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. However, maximum loan maturities have been established: twenty-five years for real estate, up to ten years for equipment (depending on the useful life of the equipment), and generally up to seven years for working capital. Short-term loans are also available through the SBA to help small businesses meet their short term and cyclical working capital needs.

Types of Business Loans

Terms of loans may vary from lender to lender, but there are two basic types of loans: short-term and long-term.

- Generally, a short-term loan has a maturity of up to one year. These include working capital loans, accounts receivable loans, and lines of credit.
- Long-term loans have maturities greater than one year but usually less than seven years. Real estate and equipment loans may have maturities of up to 25 years. Long term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture, and fixtures, vehicles, etc.

How to Write a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business, and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A well written loan proposal contains:

General Information

- Business name, names of principals, Social Security number for each principal, and the business address.
- Purpose of the loan—exactly what the loan will be used for, and why it is needed.
- Amount required—the exact amount you need to achieve your purpose.

Business Description

- History and nature of the business—details of what kind of business it is, its age, number of employees, and current business assets.
- Ownership structure—details on your company's legal structure.

Management Profile

- Develop a short statement on each principal in your business—provide background, education, experience, skills, and accomplishments.

Market Information

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.
- Profile your customers and explain how your business can satisfy their needs.

Financial Information

- Financial statements—balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement.
- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would be willing to pledge as security for the loan.

How Your Loan Request Will Be Reviewed

When reviewing a loan request, the lender is primarily concerned about repayment. To help determine this ability, many loan officers will order a copy of your business credit report from a credit reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of your business. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25 percent to 50 percent of the loan you are requesting? (Remember, a lender or investor will not finance 100 percent of your business.)
- Do you have a sound record of credit-worthiness as indicated by your credit report, work history and letters of recommendation? This is very important.
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments?

SBA Financial Programs

The SBA offers a variety of financing options for small businesses.

Whether you are looking for a long-term loan for machinery and equipment, a general working capital loan, a revolving line of credit, or a micro loan, the SBA has a financing program to fit your needs.

These programs are discussed in detail in the Assistance section of this guide and additional in-depth information is available on SBA's Web site in the Financing area.



REGULATIONS

Government Regulations and Your Business

It may be inconceivable to you that your home-based consulting service or hand-knit sweater business would have to comply with any of the numerous local, state and federal regulations, but in all likelihood it will. Avoid the temptation to ignore regulatory details. Doing so may avert some red tape in the short term, but could be an obstacle as your business grows. Taking the time to research the applicable regulations is as important as knowing your market.

Below is a checklist of the most common requirements that affect small businesses, but it is by no means exhaustive. Bear in mind that regulations vary by industry. If you're in the food service business, for example, you will have to deal with the health department. If you use chemical solvents, you will have environmental compliance to meet. Carefully investigate the regulations that affect your industry. Being out of compliance could leave you unprotected legally, lead to expensive penalties, and jeopardize your business.

Business Licenses

There are many types of licenses. You need one to operate legally almost everywhere. If the business is located within an incorporated city limits, a license must be obtained from the city; if outside the city limits, then from the county. For more information, contact the county or city office in your area or try these state web sites that offer business license information

You may also try going to your state Home Page, locating their "SEARCH" feature and typing in "business license" or "county information."

Certificate of Occupancy

If you are planning on occupying a new or used building for a new business, you may have to apply for a Certificate of Occupancy from a city or county zoning department. For more information contact the county or city office in your area.

You may also try going to your state Home Page, locating their "SEARCH" feature and typing in "certificate of occupancy" or "county information."

Business Organization

There are many forms of legal structure you may choose for your business. The most common structures are Sole Proprietorships, General and Limited Partnerships, C and S Corporations and Limited Liability Companies. Each legal structure offers organizational options which are appropriate for different personal situations and which affect tax and liability issues. We suggest you research each legal structure thoroughly and consult a tax accountant and/or attorney prior to making your decision.

Fictitious Business Name

Businesses that use a name other than the owner's must register the fictitious name with the county as required by the Trade Name Registration Act. This does not apply to corporations doing business under their corporate name or to those practicing any profession under a partnership name. For more information contact your state or local government.

You may also try going to your state home page, locating their "SEARCH" feature and typing in "trade name registration" or "county information."

Protecting Your Idea

If applicable to your business, you may want to apply for trademarks, patents, and your copyright.

Trademarks

Trademarks are names or symbols used in any commerce that is subject to regulation by state government or the U.S. Congress.

State Registration of a Trademark

Trademarks and service marks may be registered in a state for a term of ten years. For more information about Applications for Registration of Trademark or Service Mark in your state, contact your state government.

Federal Registration of Trademark and Patent

To register a trademark, contact:

U.S. Department of Commerce
Trademark Office
2021 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 305-8341 or (800) 786-9199

To register a patent, contact:

Asst. Commissioner for Trademarks, Patent Applications
Washington, D.C. 20231
(800) 786-9199

Also, visit their web site at <http://www.uspto.gov>

Caution: Federally registered trademarks may conflict with and supersede state-registered business and product names. Businesses are encouraged to check for conflicts with federal trademarks.

Patents

Contact:

Superintendent of Documents
P.O. Box 371954
Pittsburgh, Pennsylvania 15250-7954
(412) 512-1800

New and useful inventions can be protected by a U.S. patent. Professional assistance from a patent attorney is strongly urged because patent procedures are detailed and technical. A patent search is performed to see if a patent currently exists on the same or nearly the same device and, if not, to make proper application with the Patent Office.

*NOTE: Only attorneys and agents registered with the U.S. Patent Office may represent inventors in related matters. The office has geographical and alphabetical listings of the more than 11,000 registered agents. Only these agents may perform patent searches in the patent office. Inventors or their attorneys can make arrangements with one of those agents. U.S. patents are issued by the Assistant Commissioner of Patents, Washington, D.C.

Additional information is provided in the publication, General Information Concerning Patents and other publications distributed through the U.S. Patent and Trademark Office.

Copyrights

Contact:

U.S. Library of Congress
James Madison Memorial Building
Washington, D.C. 20559
(202) 707-9100—Order Line
(202) 707-3000—Information Line

Copyrights protect the thoughts and ideas of authors, composers, and artists. A copyright prevents illegal copying of written matter, works of art or computer programs. In order to ensure copyright protection, the copyright owner should always include notices on all copies of the work.

Tax Information

Business owners are required by law to withhold the following from the wages paid to employees: federal income taxes, state income taxes, and FICA (Social Security) Insurance.

Income taxes will also be levied by the federal and state governments on earnings of any business. Therefore, each business must file an income tax return with both agencies. Businesses may be required to file estimated tax returns and pay estimated taxes on a quarterly basis.

For federal tax information, contact the U.S. Internal Revenue Service (IRS)

You can go to IRS's website area for business taxes or call your local IRS office to receive a number of publications that are available upon request to small businesses. One of the most helpful is Your Business Tax Kit, which includes data and forms for a Federal Employer Identification Number and a tax guide for small businesses that can be ordered by calling Forms and Publications at (800) 829 3676 or through a visit to your local IRS office.

You may want to contact your local Social Security Administration Office for (FICA) Insurance information or visit one of these helpful SSA web sites:

- Employers' Information: www.ssa.gov/mystatement/fica/htm
- Social Security Forms: www.ssa.gov/online

For State tax information, try these state web sites for tax information, call your state government or visit your official state website.

Federal Self Employment Tax

Everyone must pay Social Security Tax. If you are self employed, your Social Security contribution is made through the self-employment tax. You will need to calculate how best to report earnings and pay your business taxes.

Contact the IRS at (800) 829-1040, visit your local IRS office, or go to the Official IRS Web site for more information. The IRS may seem like a complicated maze, but there are publications, counselors, and workshops available to help you sort it out.



Business Insurance

Like home insurance, business insurance protects the contents of your business against fire, theft, and other losses. Contact your insurance agent or broker. It is prudent for any business to purchase a number of basic types of insurance. Some types of coverage are required by law, other simply make good business sense. The types of insurance listed below are among the most commonly used and are merely a starting point for evaluating the needs of your business.

- **Liability Insurance**—Businesses may incur various forms of liability in conducting their normal activities. One of the most common types is product liability, which may be incurred when a customer suffers harm from using the business product. There are many other types of liability, which are frequently related to specific industries. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.
- **Property**—There are many different types of property insurance and levels of coverage available. It is important to determine the property you need to insure for the continuation of your business and the level of insurance you need to replace or rebuild. You must also understand the terms of the insurance, including any limitations or waivers of coverage.
- **Business Interruption**—While property insurance may pay enough to replace damaged or destroyed equipment or buildings, how will you pay costs such as taxes, utilities, and other continuing expenses during the period between when the damage occurs and when the property is replaced? Business Interruption (or “business income”) insurance can provide sufficient funds to pay your fixed expenses during a period of time when your business is not operational.
- **“Key Man”**—If you (and/or any other individual) are so critical to the operation of your business that it cannot continue in the event of your illness or death, you should consider “key man” insurance. This type of policy is frequently required by banks or government loan programs. It also can be used to provide continuity in operations during a period of ownership transition caused by the death or incapacitation of an owner or other “key” employee.
- **Automobile**—A vehicle owned by your business should be insured for both liability and replacement purposes. You may need special insurance (called “non-owned automobile coverage”) if you use your personal vehicle on company business. This policy covers the business’ liability for any damage which may result for such usage.
- **Office and Director**—Under some circumstances, officers and directors of a corporation may become personally liable for their actions on behalf of the company. This type of policy covers this liability.
- **Home Office**—If you are establishing an office in your home, it is a good idea to contact your homeowners’ insurance company to update your policy to include coverage for office equipment. This coverage is not automatically included in a standard homeowner’s policy.

Sales Tax Number

In your state there is a percent sales and use tax which applies to the retail purchase, retail site, rental, storage, use or consumption of tangible personal property, and certain services. In other words, sales tax must be collected on just about every tangible item sold.

A sales tax number is required for each business before opening. The number, plus instructions for collection, reporting, and remitting the money to the state on a monthly basis, can be obtained from your state government.

Other Considerations

All businesses with employees are required to comply with state and federal regulations regarding the protection of employees. For information on state labor laws, work force availability, prevailing wages, unemployment insurance, unionization, benefits packages, and employment services contact your state government.

Federal information may be obtained by contacting the U.S. Department of Labor

Unemployment Insurance Tax

Businesses are required by the state to pay unemployment insurance tax if the company has one or more employees for 20 weeks in a calendar year, or it has paid gross wages of \$1,500 or more in a calendar year. The taxes are payable at a rate of 2.7 percent on the first \$8,500 in annual wages of an employee. Go to your state home page to check the figures for your state.

Unemployment insurance must be reported and returns made to the state.

Immigration Act

The Federal Immigration Reform and Control Act of 1986 requires all employers to verify the employment eligibility of new employees. The law obligates an employer to process Employment Eligibility Verification Form I-9. The Immigration and Naturalization Service Office of Business Liaison offers a selection of information bulletins and live assistance for this process through the Employer Hotline. In addition, INS forms and the Employer Handbook can be obtained by calling the Forms Hotline.

For Forms: (800) 870-3676

Employer Hotline: (800) 357-2099

Health and Safety

The Federal Occupational Safety and Health Administration (OSHA) outlines specific health and safety standards employers must provide for the protection of employees. Many states have similar standards.

For state information contact your local OSHA office.

Workers' Compensation

If a business employs three or more people, workers' compensation insurance must be carried to provide protection to those injured in on- the -job accidents. The State Board of Workers' Compensation aids people who need claim assistance.

For more information contact your state government.

Minimum Wage

Virtually all business entities are subject to the federal minimum wage, overtime, and child labor laws. Information on these laws and other federal laws may be obtained from:

U.S. Department of Labor
Wage and Hour Division

Bar Coding

The Uniform Code Council, Inc., (not a government agency) assigns a manufacturer's ID code for the purposes of bar coding. Many stores require bar coding on the packaged products they sell. For additional information contact: Uniform Code Council Inc., P.O. Box 1244, Dayton, Ohio 45401, (513) 435-3870.

LOCAL SOURCES OF ASSISTANCE

Financial Programs and Other Assistance

The Small Business Administration (SBA) is the largest source of long term small business financing in the nation. In order to determine whether you qualify for, or if you have further questions, please contact your banker, one of the active SBA guaranteed lenders, or an SBA loan officer.

Business Information Center (BIC)

The Business Information Center (BIC) provides assistance to current and future entrepreneurs with issues ranging from business planning and financing to marketing and management.

The center offers a reference library with books, videos, computer access, seminars, workshops, and counseling. There is no charge for using any of these services offered and you may visit as often you like Monday through Friday. For more information, contact your local SBA office.

Service Corps of Retired Executives (SCORE)

SCORE, the Service Corps of Retired Executives, is a 13,000-member volunteer association sponsored by the U.S. Small Business Administration. Since 1964, the association has matched volunteer business management counselors with clients in need of expert advice. SCORE has experts in virtually every area of business management and maintains a national skills roster to help identify the best counselor for a particular client. Volunteer counselors share their management and technical expertise with both present and prospective small business owners.

SCORE volunteers are members of 388 locally organized chapters offering assistance in almost 800 locations throughout the United States, Puerto Rico, the U.S. Virgin Islands and Guam.

Every effort is made to match a client's needs with a counselor who is experienced in a comparable line of business. All individual and team SCORE counseling is free; there may be a nominal fee for training workshops and seminars.

Through in depth counseling and training, SCORE volunteers help prospective and established small business owners and managers identify problems, determine the causes, and find solutions.

SCORE chapters offer low cost pre-business workshops that address topics like assessing entrepreneurial potential, developing a start-up checklist, selecting a legal entity, creating a business plan, and securing funding. SCORE counselors also help successful firms review their distribution channels, survey expansion, modify products, and meet other business challenges. Other workshops offer experienced business owners information on a myriad of subjects, including starting a home based business, purchasing a franchise, defining a marketing and advertising strategy, implementing a waste reduction plan, setting merchandise prices, and beginning an exporting venture.

Any small business can obtain help from SCORE. The approach is confidential and personal. You don't need to be applying for or to have an SBA loan to participate in the program. In fact, an idea is all that is necessary for consultation and counseling.

Contact your local SBA office for information on your local SCORE chapter.

Small Business Development Centers (SBDCs)

The SBDC network is recognized as one of the finest business outreach programs of its kind in the nation.

The SBA provides 50 percent or less of the operating funds for each state SBDC. General business education, such as management development, technical information, and marketing assistance form the bulk of SBDC services. These business education services are offered via one-on-one counseling as well as regularly scheduled training seminars.

The mission of the SBDC network is made up of the following elements:

- To support entrepreneurship and business expansion through educational opportunities that cover human resources, management, technology, capital formation, and infrastructure needs of the business community.
- To address regional economic development needs for information by providing applied economic development research to communities and regions.
- To assist in the expansion of international trade primarily by educating new exporters who need assistance in all elements of exporting.
- To deliver in-house managerial and employee training targeted especially to businesses which have difficulty obtaining affordable training.
- To facilitate the creation of economic development leadership groups that focus on the creation, retention, and expansion of business.
- To provide special attention to the needs of minority entrepreneurs by identifying procurement opportunities, locating sources of capital, and supporting outreach efforts of historically black colleges and universities.
- To assist existing businesses in taking advantage of state and local incentives for job creation, employee training, and other expansion efforts.

Contact your local SBA office for information on your local Small Business Development Center (SBDC).

Women's Business Centers

Women's Business Centers (WBCs) represent a national network of more than 80 educational centers designed to assist women start and grow small businesses. WBCs operate with the mission to level the playing field for women entrepreneurs, who still face unique obstacles in the world of business.

The Financial Six C's

Character	The degree to which a borrower feels a moral obligation to pay his/her debts, measured by the credit and payment history.
Capacity to Pay	A subjective determination made by a lender based upon an analysis of the borrower's financial statements and other information.
Capital	The amount of capital in a business is equal to the total of capital from debt and equity. Lenders prefer low debt-to-asset and debt-to-worth ratios and high current ratios. These indicate financial stability.
Collateral	An asset owned by the borrower, but promised to a lender against non-payment of the loan. The amount of collateral varies from lender to lender. The closer the collateral value is to the loan amount, the more comfortable the lender will be that the loan will be repaid.
Conditions	General economic, geographic and industry.
Confidence	A successful borrower instills confidence in the lender by addressing all the lender's concerns on the other Five C's. Their loan application sends the message that the company is professional, with an honest reputation, a good credit history, reasonable financial statements, good capitalization, and adequate collateral.



Glossary of Terms

Accounts Payable	Trade accounts of businesses representing obligations to pay for goods and services received.
Accounts Receivable	Trade accounts of businesses representing moneys due for goods sold or services rendered evidenced by notes, statements, invoices, or other written evidence of a present obligation.
Accounting	The recording, classifying, summarizing, and interpreting in a significant manner and in terms of money, transactions, and events of a financial character.
Assumptions	The act of assuming/undertaking another's debts or obligations.
Auction	A public sale of goods to the highest bidder.
Automatic Data Processing	<ol style="list-style-type: none">1. Data processing largely performed by automatic means.2. The discipline which deals with methods and techniques of automatic data processing.3. Pertaining to data processing equipment such as electrical accounting machines and electronic data processing equipment.
Bankruptcy	A condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets. In the action the property of a debtor is taken over by a receiver or trustee in bankruptcy for the benefit of the creditors. This action is conducted as prescribed by the National Bankruptcy Act, and may be voluntary or involuntary.
Break-Even Point	The break-even point in any business is that point at which the volume of sales or revenues exactly equals total expenses—the point at which there is neither a profit nor a loss—under varying levels of activity. The break-even point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume and profits.
Business Birth	Formation of a new establishment or enterprise.
Business Death	Voluntary or involuntary closure of a firm or establishment.
Business Dissolution	For enumeration purposes, the absence from any current record of a business that was present in a prior time period.
Business Failure	The closure of a business causing a loss to at least one creditor.
Business Information Center (BIC)	One of more than 50 specialized Small Business Administration units which offer the latest in high-technology hard-ware, software, and telecommunications to assist small business PLUS one-on-one counseling with seasoned business veterans through the Service Corps of Retired Executives (SCORE). Each BIC offers electronic bulletin boards, computer data bases, on-line information exchange, periodicals and brochures, counseling, video tapes, reference materials, texts, start-up guides, application software, computer tutorials, and interactive media.
Business Plan	A comprehensive planning document which clearly describes the business developmental objective of an existing or proposed business applying for assistance in SBA's 8(a) or lending Programs. The plan outlines what resources are needed to accomplish the objective, where they can be obtained, and how they will be utilized.
Business Start	For enumeration purposes, a business with a name or similar designation that did not exist in a prior time period.
Cancelled Loan	The annulment or rescission of an approved loan prior to disbursement.

Capital	<ol style="list-style-type: none">1. Assets less liabilities, representing the ownership interest in a business;2. A stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period;3. Accumulated goods devoted to the production of goods; (4) accumulated possessions calculated to bring income.
Capital Expenditures	Business spending on additional plant equipment and inventory.
Capitalized Property	Personal property of the agency which has an average dollar value of \$300.00 or more and a life expectancy of one year or more. Capitalized property shall be depreciated annually over the expected useful life of the agency.
Cash Discount	An incentive offered by the seller to encourage the buyer to pay within a stipulated time. For example, if the terms are 2/10/N 30, the buyer may deduct 2 percent from the amount of the invoice (if paid within 10 days). The full amount is due in 30 days, otherwise.
Cash Flow	An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid. A projected cash flow statement indicates whether the business will have cash to pay its expenses, loans, and make a profit. Cash flows can be calculated for any given period of time, normally done on a monthly basis.
Character	A letter, digit, or other symbol, that is a part of the organization, control, or representation of data used in computer systems.
Charge-Off	An accounting transaction removing an uncollectible balance from the active receivable accounts.
Charged Off Loan	An uncollectible loan for which the principal and accrued interest were removed from the receivable accounts.
Closing	Actions and procedures required to effect the documentation and disbursement of loan funds after the application has been approved, and the execution of all required documentation, its filing, and recordation where required.
Closed Loan	Any loan for which funds have been disbursed, and all required documentation has been executed, received, and reviewed. For statistical purposes, first or total disbursement is counted as a closed loan.
Collateral	Something of value--securities, evidence of deposit or other property--pledged to support the repayment of an obligation.
Collateral Document	A legal document covering the item(s) pledged as collateral on a loan, i.e., note, mortgages, assignment, etc.
Consortium	A coalition of organizations, such as banks and corporations, set up to fund ventures requiring large capital resources.
Corporation	A group of persons granted a state charter legally recognizing them as a separate entity having its own rights, privileges, and liabilities distinct from those of its members. The process of incorporating should be completed with the state's secretary of state or state corporate counsel and usually requires the services of an attorney.

Compromise	The settlement of a claim resulting from a defaulted loan for less than the full amount due. Compromise settlement is a procedure available for use only in instances where the government cannot collect the full amount due within a reasonable time, by enforced collection proceedings or where the cost of such proceedings would not justify such effort.
Contingent Liability	A potential obligation that may be incurred dependent upon the occurrence of a future event. Two examples are: (1) the liability of an endorser or guarantor of a note if the primary borrower fails to pay as agreed and (2) the liability that would be incurred if a pending lawsuit is resolved in the other party's favor.
Costs	Money obligated for goods and services received during a given period of time, regardless of when ordered or whether paid for.
Credit Rating	A grade assigned to a business concern to denote the net worth and credit standing to which the concern is entitled in the opinion of the rating agency as a result of its investigation.
Data Element	The basic unit of identifiable and definable information. A data element occupies the space provided by fields in a record or blocks on a form. It has an identifying name and value or values for expressing a specific fact. For example, a data element named "Color of Eyes" could have recorded values of "Blue (a name)," "BI (an abbreviation)," "06 (a code)." Similarly, a data element named "Age of Employee" could have a recorded value of "28" (a numeric value).
Debenture	Debt instrument evidencing the holder's right to receive interest and principal installments from the named obligor. Applies to all forms of unsecured, long-term debt evidenced by a certificate of debt.
Debt Capital	Business financing that normally requires periodic interest payments and repayment of the principal within a specified time.
Debt Financing	The provision of long-term loans to small business concerns in exchange for debt securities or a note.
Deed of Trust	A document under seal which, when delivered, transfers a present interest in property. May be held as collateral.
Defaults	The nonpayment of principal and/or interest on the due date as provided by the terms and conditions of the note.
Deferred Loan	Loans whose principal and or interest installments are postponed for a specified period of time.
Disbursement	The actual payout to borrower of loan funds, in whole or part. It may be concurrent with the closing, or follow it.
Disbursing Officer	An employee authorized to pay out cash or issue checks in settlement of vouchers approved by a certifying officer.
Divestiture	Change of ownership and/or control of a business from a majority (non-disadvantaged) to disadvantaged persons.

Earning Power	The demonstrated ability of a business to earn a profit, over time, while following good accounting practices. When a business shows a reasonable profit on invested capital after fully maintaining the business property, appropriately compensating its owner and employees, servicing its obligations, and fully recognizing its costs, the business may be said to have demonstrated earning power. Demonstrated earning power is the foremost test of the business risk in pressing upon an application for a loan.
Easement	A right or privilege that a person may have on another's land, as the right of way or ingress or egress.
Employee Assistance Program (EAP) Coordinator	Coordinates the activities of Central Office or regional counselors, maintains a community resource list, of available professional assistance to troubled employees and a current roster of EAP counselors for the area of his/her jurisdiction.
EAP Counselor	Conducts confidential consultations with troubled employees who so request or who are referred for objective analysis of a personal problem and for identification of the best available assistance and/or professional services needed to resolve the employee's problem.
Enterprise	Aggregation of all establishments owned by a parent company. An enterprise can consist of a single, independent establishment or it can include subsidiaries or other branch establishments under the same ownership and control.
Entrepreneur	One who assumes the financial risk of the initiation, operation, and management of a given business or undertaking.
Equity	An ownership interest in business.
Equity Financing	The provision of funds for capital or operating expenses in exchange for capital stock, stock purchase warrants and options in the business financed, without any guaranteed return, but with the opportunity to share in the company's profits. Equity financing includes long-term subordinated securities containing stock options and/or warrants. Utilized in SBIC financing activities.
Equity Partnership	A limited partnership arrangement for providing start-up and seed capital to businesses.
Escrow Accounts	Funds placed in trust with a third party, by a borrower for a specific purpose and to be delivered to the borrower only upon the fulfillment of certain conditions.
Establishment	A single-location business unit, which may be independent—called a single-establishment enterprise—or owned by a parent enterprise.
Financial Reports	Reports commonly required from applicants request for financial assistance, e.g.: <ol style="list-style-type: none"> 1. Balance Sheet—A report of the status of a firm's assets, liabilities, and owner's equity at a given time. 2. Income Statement—A report of revenue and expense which shows the results of business operations or net income for a specified period of time. 3. Cash Flow—A report which analyzes the actual or projected source and disposition of cash during a past or future accounting period.
Financing	New funds provided to a business, by either loans or purchase of debt securities or capital stock.
Flow Chart	A graphical representation for the definition, analysis, or solution of a problem, in which symbols are used to represent operations, data, flow, equipment, etc.

Foreclosure	The act by the mortgagee or trustee upon default, in the payment of interest or principal of a mortgage of enforcing payment of the debt by selling the underlying security.
Franchising	A continuing relationship in which the franchisor provides a licensed privilege to the franchisee to do business, and offers assistance in organizing, training, merchandising, marketing, and managing in return for a consideration. Franchising is a form of business by which the owner (franchisor) of a product, service, or method obtains distribution through affiliated dealers (franchisees). The product, method or service being marketed is usually identified by the franchisor's brand name, and the holder of the privilege (franchisee) is often given exclusive access to a defined geographical area.
Gross Domestic Product (GDP)	The most comprehensive single measure of aggregate economic output. Represents the market value of the total output of the goods and services produced by a nation's economy.
Gross National Product (GNP)	A measure of a nation's aggregate economic output. Since 1991 GDP, a slightly different calculation, has replaced GNP as a measure of U.S. economic output.
Guaranteed Loan	A loan made and serviced by a lending institution under agreement that a governmental agency will purchase the guaranteed portion if the borrower defaults.
Hardware	A term used to describe the mechanical, electrical, and electronic elements of a data-processing system.
Hazard Insurance	Insurance required showing lender as loss payee covering certain risks on real and personal property used for securing loans.
Incubator	A facility designed to encourage entrepreneurship and minimize obstacles to new business formation and growth, particularly for high technology firms, by housing a number of fledgling enterprises that share an array of services. These shared services may include meeting areas, secretarial services, accounting services, research libraries, on-site financial and management counseling, and word processing facilities.
Independent and Qualified Public Accountants	Public accountants are independent when neither they nor any of their family has a material, direct or indirect, financial interest in the borrower other than as an accountant. They are qualified, unless there is contrary evidence, when they are either (1) certified, licensed, or otherwise registered if so required by the state in which they work, or (2) have worked as a public accountant for at least five years and are accepted by SBA.
Industrial Revenue Bond	A tax-exempt bond issued by a state or local government agency to finance industrial or commercial projects that serve a public good. The bond usually is not backed by the full faith and credit of the government that issues it, but is repaid solely from the revenues of the project and requires a private sector commitment for repayment.
Innovation	Introduction of a new idea into the marketplace in the form of a new product or service, or an improvement in organization or process.
Insolvency	The inability of a borrower to meet financial obligations as they mature or having insufficient assets to pay legal debts.
Interest	An amount paid a lender for the use of funds.
Inverse Order of Maturity	When payments are received from borrowers that are larger than the authorized repayment schedules the overpayment is credited to the final installments of the principal which reduces the maturity of the loan and does not affect the original repayment schedule.

Investment Banking	Businesses specializing in the formation of capital. This is done by outright purchase and sale of securities offered by the issuer, standby underwriting, or “best efforts selling.”
Invitation for Bids	Formal solicitations for offerings, to perform procurements by competitive bids when the specifications describe the requirements of the government clearly, accurately, and completely; but avoiding unnecessarily restrictive specifications or requirements which might unduly limit the number of bidders.
Job Description	A written statement listing the elements of a particular job or occupation, e.g., purpose, duties, equipment used, qualifications, training, physical and mental demands, working conditions, etc.
Judgment	Judicial determination of the existence of indebtedness or other legal liability.
Judgment by Confession	The act of debtors permitting judgment to be entered against them for a given sum with a statement to that effect without the institution of legal proceedings.
Junk Bond	A high-yield corporate bond issue with a below-investment rating that became a growing source of corporate funding in the 1980s.
Lease	A contract between the owner (lessor) and the tenant (lessee) stating the conditions under which the tenant may occupy or use the property.
Legal Rate of Interest	The maximum rate of interest fixed by the laws of the various states that a lender may charge a borrower for the use of money.
Lending Institution	Any institution, including a commercial bank, savings and loan association, commercial finance company, or other lender qualified to participate with SBA in the making of loans.
Leveraged Buy-Out	The purchase of a business, with financing provided largely by borrowed money, often in the form of junk bonds.
Lien	A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.
Liquidation	The disposal, at maximum prices, of the collateral securing a loan and the voluntary and enforced collection of the remaining loan balance from the obligators and/or guarantors.
Liquidation Value	The net value realizable in the sale (ordinarily a forced sale) of a business or a particular asset.
Litigation	Refers to a loan in “liquidation status” which has been referred attorneys for legal action. Also: The practice of taking legal action through the judicial process.
Loan Agreement	Agreement to be executed by borrower, containing pertinent terms, conditions, covenants and restrictions.
Loan Payoff Amount	The total amount of money needed to meet a borrower’s obligation on a loan. It is arrived at by accruing gross interest for one day and multiplying this figure by the number of days that exist between the date of the last repayment and the date on which the loan is to be completely paid off. This amount, known as accrued interest, is combined with the latest principal and escrow balances that are applicable to what is now referred to as the loan payoff amount. In the case where prepaid interest exceeds the accrued interest the latter is subtracted from the former and the difference is used to reduce the total amount owed.

Loss Rate	A rate developed by comparing the ratio of total loans charged off to the total loans disbursed from inception of the program to the present date.
Loss Reserve Adjustment Rate	A reserve rate based upon the ratio of the aggregate net chargeoffs (chargeoffs less recoveries) for the most recent five years to the total average loans outstanding for the comparable 5-year period.
Markup	Markup is the difference between invoice cost and selling price. It may be expressed either as a percentage of the selling price or the cost price and is supposed to cover all the costs of doing business plus a profit. Whether markup is based on the selling price or the cost price, the base is always equal to 100 percent.
Maturity	As applied to securities and commercial paper, the period end date when payment of principal is due.
Maturity Extensions	Extensions of payment beyond the original period established for loan repayment.
Merger	A combination of two or more corporations wherein the dominant unit absorbs the passive ones, the former continuing operation usually under the same name. In a consolidation, two units combine and are succeeded by a new corporation, usually with a new title.
Mortgage	An instrument giving legal title to secure the repayment of a loan made by the mortgagee (lender). In legal contemplation there are two types: (1) title theory-operates as a transfer of the legal title of the property to the mortgagee, and (2) lien theory-creates a lien upon the property in favor of the mortgagee.
Negotiation	The “face to face” process used by local unions and the employer to exchange their views on those matters involving personnel policies and practices, or other matters affecting the working conditions of employees in the unit and reduced to a written binding agreement. Used also by contracting officers to reach agreement with potential contractors.
Negotiation Dispute	That point in negotiations where labor and management cannot come to an agreement on some or all of the issues on the bargaining table and the services of the FMCS have not been utilized.
Negotiated Grievance Procedure	The sole and exclusive procedure available to all employees in a bargaining unit and the employer for processing grievances and disputes.
Net Worth	Property owned (assets), minus debts and obligations owed (liabilities), is the owner’s equity (net worth).
Notes and Accounts Receivable	A secured or unsecured receivable evidenced by a note or open account arising from activities involving liquidation and disposal of loan collateral.
Obligations	Technically defined as “amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period.”
Ordinary Interest	Simple interest based on a year of 360 days, contrasting with exact interest having a base year of 365 days.

Outlays	Net disbursements (cash payments in excess of cash receipts) for administrative expenses and for loans and related costs and expenses (e.g., gross disbursements for loans and expenses minus loan repayments, interest and fee income collected, and reimbursements received for services performed for other agencies).
Partnership	A legal relationship existing between two or more persons contractually associated as joint principals in a business.
Patent	A patent secures to an inventor the exclusive right to make, use, and sell an invention for 17 years. Inventors should contact the U.S. Department of Commerce Patent Office.
Prime Rate	Interest rate that is charged business borrowers having the highest credit ratings, for short term borrowing.
PRO-Net	An Internet-based database of information of small, disadvantaged, 8(a), and women-owned businesses seeking procurement contracts.
Product Liability	Type of tort or civil liability that applies to product manufacturers and sellers.
Professional and Trade Associations	Non-profit, cooperative, and voluntary organizations that are designed to help their members in dealing with problems of mutual interest. In many instances, professional and trade associations enter into an agreement with SBA to provide volunteer counseling to the small business community.
Proprietorship	The most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.
Protest	A statement in writing by any bidder or offerer on a particular procurement alleging that another bidder or offerer on such procurement is not a small business concern.
Ratio	Denotes relationships of items within and between financial statements, e.g., current ratio, quick ratio, inventory turnover ratio and debt/net worth ratios.
Request for Proposals	Solicitations for offerings for competitive, negotiated procurements when it is impossible to draft an invitation for bids containing adequate, detailed description of the required property and services. There are 15 circumstances in the Federal Acquisition Regulations (FAR) which permit negotiated procurements.
Return on Investment	The amount of profit (return) based on the amount of resources (funds) used to produce it. Also, the ability of a given investment to earn a return for its use.
Secondary Market	Those who purchase an interest in a loan from an original lender, such as banks, institutional investors, insurance companies, credit unions, and pension funds.
Service Corps of Retired Executives (SCORE)	Retired, and working, successful business persons who volunteer to render assistance in counseling, training and guiding small business clients.
Small Business Development Centers (SBDC)	The SBDC is a university-based center for the delivery of joint government, academic, and private sector services for the benefit of small business and the national welfare. It is committed to the development and productivity of business and the economy in specific geographical regions.

Turnover (Business)	Turnover is the number of times that an average inventory of goods is sold during a fiscal year or some designated period. Care must be taken to ensure that the average inventory and net sales are both reduced to the same denominator; that is, divide inventory at cost into sales at cost or divide inventory at selling price into sales at selling price. Do not mix cost price with selling price. The turnover, when accurately computed, is one measure of the efficiency of a business.
Undelivered Orders	The amount of orders for goods and services outstanding for which the liability has not yet accrued. For practical purposes represents obligations incurred for which goods have not been delivered or services not performed.
Unfair Labor Practice	Action by either the employer or union which violates the provisions of EO 11491 as amended.
Uniform Commercial Code	Codification of uniform laws concerning commercial transactions. In SBA parlance, generally refers to a uniform method of recording and enforcing a security interest or charge upon existing or to be acquired personal property.
Usury	Interest which exceeds the legal rate charged to a borrower for the use of money.
Venture Capital	Money used to support new or unusual commercial undertakings; equity, risk or speculative capital. This funding is provided to new or existing firms that exhibit above-average growth rates, a significant potential for market expansion and the need for additional financing for business maintenance or expansion.
Word Processing	Is the efficient and effective production of written communications at the lowest possible cost through the combined use of systems management procedures, automated technology, and accomplished personnel. The equipment used in word processing applications includes but is not limited to the following: Dictation and transcription equipment, automatic repetitive typewriters, visual display text editing typewriters, keyboard terminals, etc.
Workers' Compensation	A state-mandated form of insurance covering workers injured in job-related accidents. In some states the state is the insurer; in other states insurance must be acquired from commercial insurance firms. Insurance rates are based on a number of factors including salaries, firm history and risk of occupation.

Notes

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