

# small business

Starting a small business in McLennan County

guide



Provided courtesy of the Greater Waco Chamber of Commerce with the help of our partners in the community.

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# Introduction

## Before you open your doors

Starting your own business is hard work. Most entrepreneurs would agree that operating a successful business is relatively easy in comparison to the long hours of preparation required before the first customer is served. The potential business owner must develop a strategic plan, establish an accounting system, coordinate a network of suppliers and employees, and market the product or service. It is a journey filled with uncertainty and apprehension that can leave you feeling overwhelmed if you do not know where to turn for assistance. The more research, planning and knowledge that go into your business venture the greater your chances for success.

The business must also operate within certain regulations designed to protect the interests of all businesses and the public. Regulations concerning site location, permits, licensing and taxation can be confusing to the entrepreneur.

For this reason, the Greater Waco Chamber of Commerce, with the help of our community partners, has compiled this booklet. The *Guide* does not attempt to cover every aspect of starting a business. Instead, it serves as a start-up directory and informational guide for the entrepreneur forming a new business in the Greater Waco area.

## Join the Chamber!

Business owners utilize a variety of resources to promote their businesses. By joining the Greater Waco Chamber of Commerce, you can access some of the most effective advertising and business opportunities available. For more information on becoming a member of the GWCC, visit our web site at [www.wacochamber.com](http://www.wacochamber.com) or call our Membership Coordinator at 254.757.5617. The Greater Waco Chamber is a 1,450+ member organization serving the Greater Waco area.

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Information in this book is current to the date of publication. The *Small Business Guide* is a publication of the Greater Waco Chamber of Commerce, a non-profit organization. The Chamber is not a government entity and is not responsible for any changes in law or interpretations of law made by any local, state or federal government entity. The *Guide* is offered as an overview to the requirements necessary to owning and operating a business in McLennan County. It is not meant to be a comprehensive document or to take the place of any legal advice or government entity. The Chamber strongly advises that business owners and potential business owners contact the offices mentioned in the *Guide* for complete details and forms for your particular circumstances. It is further advised that you consult with an attorney and/or CPA to insure your company is in compliance with all legal and tax requirements.

## First Things First—Step ONE

### Step One: Getting the Help You Need

You just came up with the world's greatest idea for a new business. Now what? First, write it down! Second, call the Greater Waco Chamber of Commerce's Entrepreneurship Director. It is the Chamber's goal to "Grow Waco," and one way we hope to achieve this is by creating opportunities and support structures for entrepreneurs. Whether you require assistance in developing a business plan, creating a marketing strategy, or preparing loan documents, for presentation to a traditional or non-traditional lender, we are here to refer you to the appropriate agencies or individuals for help.

One of the early tasks that should be undertaken is research about the community or area being considered for location of the business. The Chamber's Research Specialist is a great source for data on community statistics, demographics, and economic trends. A variety of materials and information are available online at [www.wacochamber.com](http://www.wacochamber.com), or by calling the Research Manager at 254.752.6551.

Both Entrepreneurship and Research are part of the Chamber's Economic Development team, and are working together to help meet the needs of businesses in the Greater Waco area. Below are publications and reports available through the ED Research Department.

### Economic Research—Reports and Publications

The Chamber Economic Development staff develops and maintains demographic, business, workforce and development publications for the Waco MSA (Metropolitan Statistical Area) and the 18 cities within its jurisdiction. The research manager also produces custom research as a resource for the community and for companies considering expansion in the Greater Waco area.

**REPORTS:** Community Activity Update, ED Facts, Community Profiles (for Ax-tell, Bellmead, Bruceville-Eddy, China Spring, Crawford, Elm Mott, Hallsburg, Hewitt, Lacy Lakeview, Leroy, Lorena, Mart, McGregor, Moody, Robinson, Ross, Waco, West, and Woodway)

**DEMOGRAPHIC INFORMATION:** Including population, average wages, traffic counts, education, major employers, cost of living, utilities, and more.

For in-depth market reports and statistics about the Greater Waco community, visit the [Texas A&M Real Estate Center Market Report](#).

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**NEED TO FIND A LOCATION FOR YOUR BUSINESS?** Greater Waco Prospector is a web site that allows users to identify available commercial property. The website also provides data including workforce demographics, business information, and interactive maps. Visit [www.wacoprosector.com](http://www.wacoprosector.com) for free, comprehensive information on a specific location.

## First Things First—Step TWO

### Step Two: Creating a Business Plan

Many people start a business before doing the proper amount of homework. Some manage to succeed, while others do not. To improve your odds of success, you should arm yourself with thorough research before beginning your venture.

Creating a business plan is arguably the first and most essential step in developing your business. It will be the centerpiece of any loan application package. It should contain your assumptions and rationale concerning your venture. Lenders must evaluate the potential success of any business they are asked to fund, and the business plan allows them to do so.

Additionally, the business plan demonstrates your knowledge of the industry and the market, the requirements of your business in terms of skill and resources, and its potential for success. Most important to a potential lender, the plan allows them to judge whether the business is likely to generate sufficient income to repay the loan.

The business plan also functions as the operational basis for your venture. Once your business is up and running, there will be much less time to plan, examine alternatives and manage activities. A well-prepared business plan will continually aid you in your decision making.

#### Tips...

Be careful when considering a totally new product or service. If no one else offers it, be sure and ask yourself why. It is sometimes better to enter a market with an established competition and make improvements than to try to sell a new product or service for which there may be no demand.

Business plans have varying formats. The structure and details of your business plan depends on the type of business, how the plan will be used and whether the venture is a start-up, an expansion of an existing business or an acquisition.

When writing your plan, strive for clarity, brevity and simplicity. Keeping that in mind, it is almost important not to sacrifice thoroughness. Regardless of what format is chosen, most business plans should at least discuss the following points: the concept, objectives, market analysis, production, marketing, technology, management experience, organization and people, budget and financial projections, and ownership.

**SEE APPENDIX**—Please refer to the appendix for a sample business plan, as well as organizations that provide assistance in writing business plans.

## First Things First—Step THREE

### Step Three: Funding

Which type of funding is best for my business, debt or equity?  
Should it come from banks, angel investors, or venture capitalists?

#### Debt Financing

Commercial loans are attractive because they don't require entrepreneurs to turn over equity or company control. However, servicing debt can drain a young company with limited cash flow. Banks will expect you to present your previous two-three years of financial statements, along with a complete business plan.

#### U.S. Small Business Administration loan programs

The Small Business Administration has several loan programs which make it easier for banks to provide loans to small business, but the federal agency loans no money directly. The SBA instead guarantees 75 percent of individual loans made by private lenders, up to \$750,000, but a business must first show that it cannot obtain conventional financing at reasonable terms. Because of this guarantee, fees associated with SBA loans make the loans more expensive than a non-SBA backed commercial loan. SBA loans are therefore ideal for businesses that might be considered too high of a risk for traditional business loans. Business owners must personally guarantee SBA loans and must also show cash flows sufficient to repay the loan. Most commercial banks offer information about SBA loans.

For more information on SBA loan guarantees, [click here](#) to visit their website. McLennan County falls under the Dallas, TX, SBA district. [Click here](#) for a list of SBA certified/preferred lenders in your area.

#### What Banks Like

In general, banks prefer to make loans of over \$10,000 or so, as the administrative cost on a small loan is too high to make it profitable from the banks perspective. Businesses seeking loans of smaller amounts often obtain personal loans (see “other types of debt financing” on next page).

What banks like to see in loan an application:



- Good credit
- Solid business plan
- Ability to repay the loan
- Collateral

## First Things First—Step THREE

### Line of Credit

An arrangement in which a bank extends a specified amount of credit to a specified borrower for a specified time period (also called credit line).

A line of credit is best suited to help cover expenses that tend to fluctuate throughout the course of a year. This type of loan is not “termed” or does not have a fixed monthly payment or term of repayment.

Loan amounts vary against different types of collateral as demonstrated below. Other banks will vary, but this should provide a basic guideline.

Percentages used by one bank:

- 50% of receivables
- 50% of inventory
- 80% of new equipment
- 0% of works in progress—a coffee cup that is only 50% complete does not have much value
- 50% of used equipment
- 80% of commercial real estate

Banks like to match the duration of the loan to the duration of the collateral. For example, they would not want to finance a new building that has a life span of 40 years with receivables that only have a duration period of 3 months.

### Other types of Debt Financing

#### Home Equity Loans

Home equity loans are a cost-effective alternative to other types of loans because they offer some of the best interest rates available. But you may not want to risk your family home to launch your business venture. Before going this route, you should carefully consider the risks involved.

#### Credit Cards

Cash advances from credit cards are an easy and quick way to gain access to cash. As a long-term financing method, they can be expensive -- credit card interest rates typically run much more than the 1 to 3 percent “over prime” you would likely pay on a bank loan. If you use credit cards, shop for the best interest rate. Introductory “teaser” rates often give you a bargain for up to six months. If you have the time and energy, you can roll over your debt to a new card every six months, taking advantage of a new teaser rate. (This is not the most highly recommended method to obtain financing for your new business.)

## First Things First—Step THREE

### Equipment Leasing

Equipment lease financing is an option for many cash-starved businesses. Equipment leases give you access to many types of equipment -- computers, copiers, fax machines, cars and trucks -- without tying up your cash or credit lines. Although it doesn't bring in cash, leasing reduces the amount of cash you otherwise have to raise. Leasing generally proves more costly than buying in the long run, but if cash flow is an issue for your company, it's definitely something to consider.

### What is Equity Financing?

Equity financing requires that the business sells a portion of the business in exchange for capital. The biggest problem with obtaining equity financing is often finding investors willing to buy into the business. The second limiting factor is wrestling with the fact that you must turn at least some of the control of your business over to the equity investor.

### Angel Investors

Of the 500,000 start-ups each year, only 500 receive venture capital investments. The major source of investment for a new business comes from friends and family. Ninety percent of the investment outside of friends and family comes from angel investors.

Angel investments are similar to venture capital (discussed below) in that they are equity investments, however Angels tend to invest smaller amounts and tend to invest in younger companies than do VC's. Angels also tend to invest close to home and can be difficult to locate.

The Angel Capital Association provides a list of angel networks across the country on their website (<http://www.angelcapitalassociation.org/directory.cfm>), but is not an actual source of equity itself.

The desired investment profile for an Angel:

- A novel (new) or disruptive business concept
- A realistic business plan
- Technological Superiority
- Realistic Valuation

As with venture capital and loans, a solid business plan must be presented to potential angel investors.

For more information on the Waco Angel Network, please contact the director of entrepreneurship of the Greater Waco Chamber at 254.757.5634.

## First Things First—Step THREE

### Venture Capital

Venture Capital firms tend to be specialized in specific industries and tend to only invest in those industries. Companies should not look for VC if they are only seeking a one time cash infusion into the business. The time horizon from introduction to funding is typically at least 12 weeks and often can take 6 months or even a year and companies interested in VC should be realistic about this. The VC firm wants to get to know the management, learn the product, understand the management team’s personalities and abilities, as well as the companies “feel” before they are ready to make an investment. VC firms see these types of deals as a marriage, not as a transaction.

VC’s are not interested in investing in companies for the sake of maintaining a current level of operation. VC’s want to invest money in companies that can realistically expect high rates of growth, 20% or more, for at least several years. Financing receivables and paying off existing debt therefore are not things that VC’s would be interested in funding. VC’s look for a long-term relationship in their investments, typically three to seven years. They take partial ownership in the business, and therefore expect to have a say in how the business is operated.

VC firms rarely invest in deals that come to them “off the street”. That is to say, they usually look more seriously at deals that are referred to them by people they know and whose opinions they trust. If a company is seeking VC, they are best off looking for an introduction from someone whose opinion the VC firm would hold in high regard (business consultants, attorneys, CPA’s, etc).

*Small Business Investment Companies (SBIC)s* are venture capital firms that receive loans from the Small Business Administration to make equity investments in small businesses. Venture Capital firms do not have to be regulated, but must submit to regulation if they want to be an SBIC.

To find SBIC’s in your area and for more information on the subject go to:

<http://www.sba.gov/INV/forentre.html>.

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# Determining Start-Up Costs

Before venturing down the many avenues available for obtaining capital, it is a good idea to understand exactly how much you will need.

Use the outline below to guide you in determining your start-up costs.

## **PREMISES**

### Build Option

- Architect's Fees
- Closing Costs
- Construction Fees
- Financing Costs
- Land Purchase
- Legal Fees

### Buy Option

- Architect's Fees
- Closing Costs
- Legal Fees
- Purchase Price
- Renovation/ Modernizing

### Rent Option

- Architect's Fees
- Fixtures
- Leaseholder Improvements
- Legal Fees
- Major Renovation

## **MACHINERY & EQUIPMENT**

- Cars
- Communication Tools
- Computers
- Controls
- Furniture
- Installation
- Machinery
- Materials Handling
- Office Equipment
- Tools and Instruments
- Trucks

## **OTHER ASSETS & EXPENSES**

It is important to show bankers and other sources of finance that most of your start-up money has gone into assets.

### Initial Inventory

- Consumables
- Finished Goods
- Initial Supplies
- Raw Materials

### Organization Costs

- Franchise Fees
- Initial Capital
- Legal Fees
- Permits & Licenses
- Registration Fees

### Prepaid Expenses

- Prepaid Insurance
- Rent Deposit
- Utility Deposit

### Advertising and Promotion

- Brochures
- Catalogs, Price Lists
- Decoration
- Forms, Stationery
- Packaging Material
- Signs

## **WORKING CAPITAL**

This will help you estimate the peak cash reserves you will need during your first few months.

### Pre-Opening

- Car Payments
- Gas & Oil
- Entertainment
- Insurance
- Other Personal Charges
- Rent
- Travel
- Utilities
- Wages & Salaries
- Withholding Taxes

# Obtaining Capital

This section has information on what is typically required for obtaining capital, factors that decision makers examine and common conditions placed on loans.

## TYPICAL DATA REQUIRED FOR PROCURING CAPITAL

### New Businesses:

- Business plan with income statement, cash flow statement and balance sheet projections.
- Information required of existing businesses (listed below).

### Existing Businesses:

- Loan Application. Show the name of the company, the officers and owners, address, phone number and ID numbers. Show the amount and type of capital required and how the proceeds will be used.
- Income statements from the past three years, as well as the most recent income statement.
- Balance sheets from the last three years plus the most recent balance sheet of the company.
- A recent personal financial statement on all owners who have 20% ownership of the company or more.
- A pro forma income statement for the company with the first year shown month by month and the next three to five years shown by quarters.
- A pro forma balance sheet for three to five years.
- An aging accounts receivable, accounts payable and notes payable. Indicate which, if any, notes or accounts will be paid off with loan funds.
- List of collateral to be pledged as security on the loan.

### Other Information that may be Required

- Outline of goals and strategies
- History of the business
- Resumes on personnel
- Break-even analysis
- Share of market analysis
- Suits pending, judgments or liens
- Discussion of changes that will affect future performance that is significantly different from past performance.
- Alternate sources of repayment

## FACTORS EXAMINED IN THE CREDIT/INVESTMENT DECISION

- Business Plan
- Management
- Investors
- Product
- Market (size, maturity, accessibility)
- Marketing strategy and market penetration
- Competition
- Manufacturing strategy

## Obtaining Capital

- Complexity— new vs. old product technology
- Labor intensity
- Capital intensity
- Availability of raw material
- Financial statements and projections
- Adequate capitalization
- Sales volume
- Overhead
- Research and development expenditures
- Taxes
- Does the income statement agree with the balance statement?

### Other Data That May Be Required Or Examined

- Accounts receivable and accounts payable listing, aging and concentrations
- Inventory breakdown
- Liability insurance coverage
- Trade references
- Suppliers and customers
- Market research data
- Certified Public Accountants
- Attorneys
- Venture capitalists

### COMMON COVENANTS AND CONDITIONS PLACED ON LOANS

- Debt to equity ratios
- Current ratio/quick ratio
- Minimum tangible net worth
- Profitability requirement
- Cross default
- Debt service coverage
- Restrictions May Be Placed On:
  - Additional debt
  - Lease commitments
  - Dividends
  - Stock repurchases
  - Further encumbrance of assets
  - Mergers and acquisitions
  - Liquidation
  - Capital expenditures
  - Financial reporting requirements (time and quality)
  - Insurance coverage on assets
  - Key-person life insurance
  - Management continuity
  - Compensation

## Alternate Sources of Funding

Obtaining funding for your business venture is critical, though it is not always simple or easy. Don't give up too easily, because sources of funding do exist! Here is a list of alternate sources of funding:

### **Texas Mezzanine Fund**

[www.tmfund.com](http://www.tmfund.com)

PH 214.943.5900

The Texas Mezzanine Fund, Inc., is a statewide Community Development Financial Institution (CDFI) that provides financing for businesses located in distressed areas, minority-owned businesses and small businesses that create jobs for low to moderate-income people.

### **ACCION Texas**

[www.acciontexas.org](http://www.acciontexas.org)

PH 1.866.312.3771—Austin Office

PH 1.866.312.3772—Dallas Office

ACCION Texas provides business loans to both start-up and existing businesses in Texas. They also offer SBA 504 loans and home mortgage loans. Since 1994, ACCION Texas has made over 8,000 loans to aspiring business owners who were unable to obtain financing from traditional sources.

### **Business Investment Growth**

[www.bigAustin.org](http://www.bigAustin.org)

PH 512.928.8010

Business Investment Growth, or BiGAUSTIN, aids entrepreneurs in starting, strengthening or expanding their business operations in Austin or surrounding cities. BiGAUSTIN is a non-profit that provides training and loans to small businesses in Central Texas.

### **Heart of Texas Certified Development Corporation Revolving Loan Fund**

[www.hotcog.org](http://www.hotcog.org)

PH 254.292.1800

HOTCDC will administer a revolving loan fund to foster economic growth by offering loans for small business and affordable family housing in the region. The revolving loan fund will provide the following under the Small Business Development Programs: assistance for start up and business expansions, capital costs and improvements, matching funds for other types of assistance such as Small Business Administration loans. The Affordable Housing Program will fund: land acquisition costs, new construction, rehabilitation of dwellings, down payment assistance and matching funds for other types of federal and state community development grants to assist individuals that would not be able to access this funding through traditional resources.

# Starting a Business in Texas

## Step One: Choose Your Business Structure



For an interactive guide on choosing your business structure, please visit the [Texas—Wide Open for Business](#) web site. This site can also direct you to forms to file, as well as codes and regulations to consider when choosing your business structure.

### Which Structure Should You Choose?

One of the first decisions that you will have to make as a business owner is how the business should be structured. All businesses must adopt some legal configuration that defines the rights and liabilities of participants in the business's ownership, control, personal liability, life span, and financial structure. This decision will have long-term implications, so you may want to **consult with an accountant and attorney** to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

- Your vision regarding the size and nature of your business.
- The level of control you wish to have.
- The level of “structure” you are willing to deal with.
- The business's vulnerability to lawsuits.
- Tax implications of the different organizational structures.
- Expected profit (or loss) of the business.
- Whether or not you need to re-invest earnings into the business.
- Your need for access to cash out of the business for yourself.

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**Sole Proprietorship**—The most common and the simplest form of business is the sole proprietorship. In a sole proprietorship, a single individual engages in a business activity without necessity of formal organization.

If the business is conducted under an assumed name (a name other than the surname of the individual), then an assumed name certificate (commonly referred to as a DBA) should be filed with the office of the county clerk in the county where a business premise is maintained in accordance with Section 36.10 of the Texas Business & Commerce Code.

**General Partnership**—A general partnership is created when two or more persons associate to carry on a business for profit. A partnership generally operates in accordance with a partnership agreement, but there is no requirement that the agreement be in writing and no state-filing requirement.

If the business of the partnership is conducted under an assumed name (a name that does not include the surname of all of the partners), then an assumed name certificate (commonly referred to as a DBA) should be filed with the office of the county clerk in the county where a business premise is maintained in accordance with Section 36.10 of the Texas Business & Commerce Code.

## Starting a Business in Texas

**Corporation**—A Texas for-profit corporation is created by filing a certificate of formation with the Texas Secretary of State in accordance with Chapter 3 of the Texas Business Organizations Code. A Corporation, chartered by the state, is considered by law to be a unique entity, separate and apart from those who own it. A Corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

The Secretary of State provides a form for certificate of formation which form meets minimum state law requirements [Form 201]. Online filing of certificate of formation is provided through SOSDirect.

**Texas Nonprofit Corporation**—A Texas nonprofit corporation is created by filing a certificate of formation with the Texas Secretary of State in accordance with the Texas Nonprofit Corporation Act (Chapter 22 of the Texas Business Organizations Code). The Secretary of State provides a form for a certificate of formation which form meets minimum state law requirements [Form 202]. Online filing of articles of incorporation is provided through SOSDirect.

"Nonprofit corporation" means a corporation no part of the income of which is distributable to members, directors, or officers [Texas Business Organizations Code §22.001 (5)]. A nonprofit corporation may be created for any lawful purposes.

Not all nonprofit corporations are entitled to exemption from state or federal taxes. Corporations organized under the Texas Nonprofit Corporation Law DO NOT automatically qualify for exemption from federal and state taxes.

Before granting a tax exemption, the Internal Revenue Service (IRS) requires that the certificate of formation contain certain provisions. This form does not contain the provisions required by the IRS. If the corporation plans to seek federal tax exemption from the IRS, you may wish to obtain and review the sample language for these provisions contained in a publication called "Tax Exempt Status for Your Organization," IRS Publication 557. You may call the IRS at (800) 829-3676 for a copy of the publication or download the publication at the IRS Web site. Additional questions concerning exemption from federal income taxes should be directed to the IRS.

Nonprofit corporations also are subject to state franchise taxes. If the corporation qualifies to be exempt, an application for exemption must be made to the Exempt Organizations Section, Comptroller of Public Accounts, Austin, Texas 78774-0100, (512) 463-4600 or (800) 252-1381. TDD: (800) 248-4099 or (512) 463-4621.

**Texas Limited Liability Corporation**—A Texas limited liability company is created by filing a certificate of formation with the Texas Secretary of State in accordance with Chapter 101 of the Texas Business Organizations Code. The Secretary of State provides a form for a certificate of formation, which form meets minimum state law requirements [Form 205]. Online filing of a certificate of formation is provided through SOSDirect.

**What is SOS Direct?**—The Secretary of State OnLine Access (SOSDirect) web access system provides subscribers with up-to-date, on-line computer access to a variety of information maintained by the Office of the Secretary of State.

## Starting a Business in Texas

**Texas Limited Partnership**—A Texas limited partnership is created by filing a certificate of formation with the Texas Secretary of State. A Limited Partnership has one or more general partners and one or more limited partners. The limited partnership operates in accordance with a partnership agreement, written or oral, of the partners as to the affairs of the limited partnership and the conduct of its business.

While the partnership agreement is not filed for public record, the limited partnership must file a certificate of formation with the Texas Secretary of State in accordance with Chapter 3 of the Texas Business Organizations Code.

The Secretary of State provides a form for the certificate of formation [Form 207] which form meets minimum state law requirements. Online filing of the certificate of formation is provided through SOSDirect.

**Limited Liability Partnership:** In order to limit the liability of its general partners, a limited partnership may opt to register as a limited liability partnership in accordance with section 153.351 of the Texas Business Organizations Code.

The Secretary of State provides a form for registration as a limited liability partnership [Form 701]. Online filing of the registration is provided through SOSDirect.

**Texas Limited Liability Partnership**—In order to limit the liability of its general partners, a general or limited partnership may opt to register as a limited liability partnership in accordance with section 152.802 or 153.351 of the Texas Business Organizations Code. The Secretary of State provides a form for registration as a limited liability partnership [Form 701]. Online filing of the registration is provided through SOSDirect.

### Local & State Contact Info

**McLennan County Clerk's Office**

[www.co.mclennan.tx.us](http://www.co.mclennan.tx.us) 254.757.5000

Contact the County Clerk's Office to register your business name.

Use this [A-Z listing of county clerks offices](#) to see where you can file DBA (Doing Business As) assumed name certificates.

**Texas Secretary of State, Hope Andrade**

[www.sos.state.tx.us](http://www.sos.state.tx.us)

Name Availability and Business Entity Information 512.463.5555

SOSDirect 512.475.2755

Forms 512.463.5586, fax 512.463.5709

# Starting a Business in Texas

## Step Two: Employer Identification Number



An Employer Identification Number (EIN) is also known as a federal tax identification number, and is used to identify a business entity or nonprofit organization.

Generally, businesses and nonprofit organizations need an EIN. You may apply for an EIN online, by phone, by fax or by mail. This is a free service offered by the Internal Revenue Service.

### APPLY ONLINE

The [Internet EIN](#) application is the preferred method for customers to apply for and obtain an EIN. Once the application is completed, the information is validated during the online session, and an EIN is issued immediately. The online application process is available for all entities whose principal business, office or agency, or legal residence (in the case of an individual), is located in the United States or U.S. Territories. The principal officer, general partner, grantor, owner, trustor etc. must have a valid Taxpayer Identification Number (Social Security Number, Employer Identification Number, or Individual Taxpayer Identification Number) in order to use the online application.

### APPLY BY EIN Toll-Free Telephone Service

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line at (800) 829-4933. The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

### APPLY BY FAX

Taxpayers can FAX the completed [Form SS-4](#) application to their state FAX number (see [Where to File - Business Forms and Filing Addresses](#)), after ensuring that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type. If the taxpayer's fax number is provided, a fax will be sent back with the EIN within four (4) business days.

### APPLY BY MAIL

The processing timeframe for an EIN application received by mail is four weeks. Ensure that the [Form SS-4](#) contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type and mailed to the taxpayer.

#### Subscribe to e-News for Small Businesses from the IRS

e-News for Small Businesses is a free, weekly electronic mail service designed to provide tax information and updates for small business owners and self-employed individuals. [Subscribe](#) through the IRS web site.

# Starting a Business in Texas

## Step Three: Texas Taxes

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If you are conducting business in Texas, it is likely you will have to register your business with the State. Depending on the type of business you conduct, you may also be required to obtain permits, collect and/or pay taxes, and file tax returns. Follow the links below to obtain more information about the tax requirements for your type of business.

- To sell [taxable items](#) or provide [taxable services](#) in Texas, all businesses must have a [sales tax permit](#). The requirement to obtain a Texas sales and use tax permit applies to individuals as well as corporations, firms, partnerships, and all other legal entities.
- Corporations and Limited Liability Companies doing business in Texas are subject to franchise tax. [Find forms, publications, frequently asked questions, and the Franchise Tax Code](#) on the Comptroller Web site.
- Foreign (out-of-state) companies doing business in Texas are also subject to franchise tax and should submit form AP-114, [Texas Nexus Questionnaire](#) to the Comptroller of Public Accounts.
- Non-profit corporations can [apply for an exemption from state taxes](#), including an exemption from the franchise tax.
- Some businesses may have [additional Texas business tax responsibilities](#). Please review this page to find out about any taxes, fees, or special considerations that may apply to you.

## Step Four: Learn About Being an Employer in Texas

4



From resumes to wages, use the following tools to help you fulfill your employee requirements and tax responsibilities.

- Read [Employers' Frequently Asked Unemployment Insurance \(UI\) Tax Questions](#) from the Texas Workforce Commission.
- If you have already paid wages to employees working in Texas, [register for Texas State Unemployment Tax](#).
- Post jobs, get matches, view resumes, and access recruitment tools at [WorkIn-Texas.com](#).
- Learn about the [workers' compensation system in Texas](#) including employers' options for subscribing to the system, becoming self-insured or non subscribing.
- Learn about the [New Hire Reporting](#) required in Texas by the Office of the Attorney General.

### CLICK HERE FOR MORE INFO...

Texas WorkForce Commission—[Information for Businesses and Employers in Texas](#)  
Texas Department of Insurance—[Workers' Compensation Resources for Employers](#)  
Texas Comptroller of Public Accounts—[Sales Tax and Your New Business](#)

## MUNICIPAL RESOURCES

**City of Waco—Dr. Mae Jackson Development Center**  
401 Franklin Ave, Waco, TX, 76701  
*“One Stop Shop”*

The Dr. Mae Jackson Development Center underwent recent renovations and opened in April 2006. The Development Center houses City of Waco development departments for the ease of use by developers and citizens. Departments within this center include:

- Inspections—new construction, code enforcement, and plan review
- Engineering & Traffic—infrastructure design and inspection, survey, traffic analysis and design, streets, plan review and GIS
- Planning & MPO (Metropolitan Planning Organization)—zoning, subdivisions, annexations, addresses, transportation planning, and long range planning issues
- O.S.S.F (On-site Sewage Facilities)

The Development Center also features a Plan Review Team consisting of staff from planning, inspections, traffic and engineering grouped together to better address needs of developers and citizens. An expanded Plan Review Team meets once a week with developers as requested. Call the Planning Department for more information on when the team meets should you require their services.

In addition, the Planning Department can assist with zoning questions and requests, as well as suggest specific areas of town suitable for your business location needs.

Planning Dept—254.750.5650 or 750.5651  
Inspections Dept—254.750.5612  
Engineering Dept—254.750.5440

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### Communities in McLennan County:

Axtell		Lorena	254.857.4641
Bellmead	254.799.2436	Mart	254.876.2462
Bruceville-Eddy	254.859.5964	McGregor	254.840.2806
China Spring		Moody	254.853.2314
Crawford	254.486.2125	Robinson	254.662.1415
Elm Mott		Ross	254.754.8898
Hallsburg	254.875.2346	Waco	254.750.5750
Hewitt	254.666.6171	West	254.826.5351
Lacy Lakeview	254.822.1684	Woodway	254.772.4481
Leroy			

## ENTREPRENEURIAL RESOURCES



Waco currently has, and continues to develop, dynamic resources available to practicing and aspiring entrepreneurs. Potential and current small business owners have local access to the McLennan Community College (MCC) Small Business Development Center for assistance with various aspects of small business operations. In 2007, Baylor was ranked by *Fortune Small Business* as one of America's top 25 best colleges for entrepreneurs. The Chamber recognized the importance of entrepreneurial support, and responded by adding a director of entrepreneurship to the staff in 2007, as well. Among the resources available to local entrepreneurs and small business owners:

### **Baylor**

Three programs are currently offered through the John F. Baugh Center for Entrepreneurship for both practicing and potential entrepreneurs: FastTrac Entrepreneurship Training Program, Innovation Evaluation Program, and the Institute for Family Business. The primary goal of the John F. Baugh Center for Entrepreneurship is to extend an arm of support to the local and national business community in such a way as to facilitate new business and further the goals of established businesses. For more information on these programs, visit [www.baylor.edu/business/entrepreneur](http://www.baylor.edu/business/entrepreneur).

### **McLennan Community College (MCC)-Small Business Development Center**

SBDC staff members provide free one-on-one counseling to business owners or prospective business owners. Counseling is provided through individual sessions on all aspects of small business operations: development of a business plan, financing options, human resources, marketing, strategy, and business development. The SBDC hosts affordable training seminars and special events throughout the year designed to help you broaden your business network and knowledge with other entrepreneurs. Visit [www.mccsbdc.com](http://www.mccsbdc.com) or call 254-299-8141.

### **SCORE**

**SCORE** (the Service Corps of Retired Executives Association) is a nonprofit organization dedicated to helping the small business community through no-fee mentoring and business counseling and low-cost workshops. SCORE Association members volunteer their time and considerable business expertise to help coach the next generation of entrepreneurs. SCORE currently operates out of the Business Resource Center and the HOT Workforce Center. Call 254.296.5214 for an appointment.

### **Business Resource Center**

The Heart of Texas [Business Resource Center](#) is a community-development based organization. Over the years, the BRC has administered a revolving loan fund, provided community access to its Business Info Center, and housed a small business incubator. The BRC is currently focusing on redeveloping the Stratton building downtown. For more information, call 254-754-8898.

# NETWORKING

The Greater Waco Chamber of Commerce facilitates many networking events for current and prospective members. These networking events provide an opportunity to build relationships, actively foster contacts and share information. Networking events include:

## **Networking Forum**

This is a monthly lunch event offering an opportunity to meet and network with other Chamber members. Be sure to bring your business cards or brochures. For information on dates and locations, contact the Greater Waco Chamber of Commerce at 254.752.6551.

## **Business After Hours**

This is a monthly evening event hosted by a local member business. These events provide an opportunity to take a closer look at an area business, and network with local business people. For more information on dates and locations, contact the Greater Waco Chamber of Commerce at 254.752.6551.

## **Technology Business Briefings**

This bi-monthly morning event brings together high tech companies and service providers in Waco for three reasons - networking, education/awareness, and collaboration. There is dedicated time for networking and a program highlighting a company in the area or an issue that impacts local technology industry. For more information, contact the director of entrepreneurship at 254.757.5634.

## **Sunrise Breakfasts**

This is a monthly morning event co-hosted with the Small Business Development Center aimed at current and prospective small business owners. The event includes an educational component, as well as a chance to network with peers. For more information, contact the director of entrepreneurship at 254.757.5634 or the SBDC at 254.299.8141.

## **Young Professionals**

This group's mission is to shape and promote Waco's quality of life to attract and retain a labor force of educated 25- to 35-year olds. The group will accomplish this goal by establishing partnerships, leadership and creating communications. The Young Professionals Committee is open to anyone who would like to contribute, including the "young at heart." For more information, visit [www.getbusywaco.com](http://www.getbusywaco.com).

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## U.S. Small Business Administration

The U.S. Small Business Administration (SBA) web site contains a wealth of information for current or prospective small business owners. The site may be accessed at [www.sba.gov](http://www.sba.gov). Some of the information you will find includes a small business planner, services, tools and local resources. The SBA also offers over 25 free training courses that may be accessed online. Additionally, the site is a logical first step to learn about SBA guaranteed loans for your business.

### **Small Business Planner** [www.sba.gov/smallbusinessplanner/index.html](http://www.sba.gov/smallbusinessplanner/index.html)

The Small Business Planner includes information and resources that will help you at any stage of the business lifecycle. This section includes information on:

- \*planning your business
- \*starting your business
- \*managing your business
- \*getting out of business.

### **Services** [www.sba.gov/services/index.html](http://www.sba.gov/services/index.html)

SBA programs and services support you, the small business person. Learn about SBA-backed loans, government contracting opportunities, disaster assistance and training programs to help your business succeed. This section includes information on:

- \*financial assistance
- \*contract opportunities
- \*disaster assistance
- \*online training
- \*counseling and assistance
- \*special audiences
- \*laws/regulations.

### **Tools** [www.sba.gov/tools/index.html](http://www.sba.gov/tools/index.html)

The SBA provides you with a wealth of information unique to small business through monthly chat events, electronic newsletters, podcasts and a myriad of business resources to support your business needs. This section includes:

- \*library & resources
- \*audio/video podcasts
- \*monthly web chat archives
- \*important forms.

### **Local Resources** [www.sba.gov/tx](http://www.sba.gov/tx)

The Dallas/Ft. Worth SBA District Office encompasses McLennan County.  
Dallas/Ft. Worth District Office  
4300 Amon Carter Blvd, Ste 114  
Ft. Worth, TX 76155  
PH 817.684.5500 FAX 817.684.5516

To access the SBA's **Small Business Resource Guide** tailored for this area, please visit: [www.reni.net/guides/pdf/english/texas-dallas.pdf](http://www.reni.net/guides/pdf/english/texas-dallas.pdf).

### **HUBZone Empowerment Contracting Program**

A HUBZone is a “historically underutilized business zone.” The program provides both federal prime contract and subcontract benefits. Only companies certified by the SBA are eligible to participate in the HUBZone program. To qualify, the company’s principal office must be located within a “HUBZone”; the company must be owned and controlled by one or more U.S. citizens; and at least 35 percent of the company’s employees must be HUBZone residents. Apply online at [www.sba.gov/hubzone](http://www.sba.gov/hubzone).

## Publications, Magazines & Other Info Sources

### Publications

**Entrepreneur**—[www.entrepreneur.com](http://www.entrepreneur.com)

**Inc.**—[www.inc.com](http://www.inc.com)

**Fortune Small Business**—[www.fsb.com](http://www.fsb.com)

**Minority Business Enterprise**—[www.mbemag.com](http://www.mbemag.com)

**BusinessWeek Small Business**—[www.businessweek.com/smallbiz](http://www.businessweek.com/smallbiz)

### Info Sources for Small Business

**Kauffman eVenturing**—Geared to those who are building companies that innovate and create jobs and wealth, Kauffman eVenturing is the trusted guide for entrepreneurs on the path to high growth. The site provides original articles, written by entrepreneurs for entrepreneurs, and aggregates “the best of the best” content on the Web related to starting and running high-impact companies. [www.eventuring.org](http://www.eventuring.org)

**International Franchise Association**—The IFA is a trade group representing the franchise world. Members include franchisors, franchisees and suppliers of goods and services. The IFA provides many resources including a Franchising Basics course for beginners and the VetFran program for veterans of franchising. [www.franchise.org](http://www.franchise.org)

**Office of the Governor, Small Business Assistance**—serves as a focal point in assisting small and historically underutilized businesses and provides sources of contacts and research information that will assist with federal, state and local business issues for small businesses. [www.governor.state.tx.us/divisions/ecodev/sba](http://www.governor.state.tx.us/divisions/ecodev/sba)

**Small Business Administration**—The SBA is an independent agency of the federal government created to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. This site contains a wealth of information to help Americans start, build and grow businesses. [www.sba.gov](http://www.sba.gov)

**Business.GOV**—The official business link to the U.S. government. [www.business.gov](http://www.business.gov)

**Emerging Technology Fund**—The ETF, created by the Texas Legislature at the urging of Governor Rick Perry, provides Texas with an unparalleled advantage by expediting the development and commercialization of new technologies, and by recruiting the best research talent in the world. Matching and commercialization funds coupled with additional federal and outside investments mean new technology is emerging in Texas. [www.emergingtechfund.com](http://www.emergingtechfund.com) or [www.ntxrcic.org](http://www.ntxrcic.org)

## Resources for Women, Minority and Teen Entrepreneurs

### Women

[MWBE.com](http://www.mwbe.com): This site's goal is to provide a single starting point for resources and information specifically targeted to Minority- and Woman-Owned Businesses. [www.mwbe.com](http://www.mwbe.com)

[National Association of Women Business Owners](http://www.nawbo.org): A dues-based national organization that since 1975 has helped women evolve their businesses by sharing resources and providing a single voice to shape economic and public policy. [www.nawbo.org](http://www.nawbo.org)

[We Inc.](http://www.we-inc.org): An association whose purpose is to help women entrepreneurs succeed through networking, educational programs and advocacy. [www.we-inc.org](http://www.we-inc.org)

[SBA's Small Business Training Network](http://www.sba.gov/services/training/index.html): A "virtual campus" that provides targeted online training to prospective and existing small business owners. [www.sba.gov/services/training/index.html](http://www.sba.gov/services/training/index.html)

[NWBC women's business portal](http://www.womenbiz.gov): Thinking about bidding on a government contract? Check out the procurement resources at this portal. [www.womenbiz.gov](http://www.womenbiz.gov)

[Center for Women's Business Resource](http://www.womenbusinessresearch.org): You're only as good and profitable as your information. This site claims to be the "go-to source" on the trends, characteristics, achievements, and challenges of women business owners. [www.womenbusinessresearch.org](http://www.womenbusinessresearch.org)

### Minorities

[United States Hispanic Chambers of Commerce](http://www.usbcc.com) [www.usbcc.com](http://www.usbcc.com)

[U.S. Pan Asian American Chamber of Commerce](http://www.uspaacc.com) [www.uspaacc.com](http://www.uspaacc.com)

[National Black Chamber of Commerce](http://www.nationalbcc.org) [www.nationalbcc.org](http://www.nationalbcc.org)

[National Alliance of African American Chambers of Commerce](http://www.minoritychambers.com)  
[www.minoritychambers.com](http://www.minoritychambers.com)

### Teens

[SBA's Teen Business Link](http://www.sba.gov/teens): A web portal targeting teens with information on new business tips, trends and tools such as a sample business plan for a babysitting business. [www.sba.gov/teens](http://www.sba.gov/teens)

[SBA and Junior Achievement Youth Entrepreneur Resources](http://www.mindyourownbiz.com): Working together, SBA and JA say they are looking to maximize support for the next generation of entrepreneurs. [www.mindyourownbiz.com](http://www.mindyourownbiz.com)

### Other

[U.S. Census Bureau's Survey of Minority and Women-Owned Business Enterprises](http://www.census.gov/csd/mwb/)  
[www.census.gov/csd/mwb/](http://www.census.gov/csd/mwb/)

# BUSINESS PLAN OUTLINE

## I. Background of the Business

If an existing business, give a brief history of the company. If a new business, describe in detail what your company will be about.

## II. Qualifications of the Principals

Describe in this section the backgrounds of the owners or managers that would qualify them to run this business. Include education, experience and any other relevant information.

## III. State the Goals and Objectives of the Business

State the main goal that the company is to achieve and list the objectives that must be accomplished to reach the company's goal. This should include how each objective is to be accomplished.

## IV. Organizational Plan

Describe how the work of the organization is to be accomplished, including employees. Determine if the company is to be a corporation, sole proprietorship or other form of structure.

## V. Marketing Plan

Discuss price, product, promotion (include advertising, publicity, sales strategy, market segment), distribution of the product or service and the location of the business.

## VI. Financial Plan

Develop Pro-Forma Balance Sheet for a start-up business or current Balance Sheet and Income Statement for an existing business (current within 90 days), prepare a projected Cash Flow Statement, covering a one year period, and three years of projected Income Statements for either a start-up or existing business. Include a list of start-up expenses and provide rationale for all projections.

## VII. Loan Information

Explain the amount of the loan requested, term in which you want to pay the loan back and how the proceeds of the loan will be utilized (for example, purchase of machinery and equipment, land and building or perhaps working capital for the business).

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### Purposes of a Business Plan

1. Your business plan will serve as your guide during the lifetime of your business. It is the blueprint of your business and will provide you with the tools to analyze your business and implement changes.
2. A business plan is a requirement if you are planning to seek financing. It will provide potential lenders or investors with detailed information on all aspects of your company's past and current operations and provide future projections.
3. If you do business internationally, a business plan provides a standard means of evaluating your business potential in a foreign marketplace.



# BUSINESS PLAN OUTLINE

*The following pages provide a suggested outline of the material to be included in your business plan. Your final plan may vary according to your specific needs or individual requirements of your lender or investor.*

## **I. COVER SHEET:** Serves as the title page of your business plan

- ◆ Name, address & phone number of the company
- ◆ Name, title, address, and phone no. of owners/corporate officers
- ◆ Month and year your plan was prepared
- ◆ Name of preparer
- ◆ Copy number of the plan

## **II. STATEMENT OF PURPOSE** (Same as Mission Statement)

This is the thesis statement and states business plan objectives. Use the key word approach (who, what, where, when, why, how, how much) to summarize the following:

- ◆ Your Company (who, what, where, when)
- ◆ What your objectives are.
- ◆ Why you will be successful.
- ◆ If you need a financing, why you need it, how much you need and how you intend to repay the loan or benefit the investor.

**Note:** Do not write the statement of purpose until you have completed your business plan! It is a summary and reflects the contents of the finished plan.

## **III. TABLE OF CONTENTS** (Quick reference to major topics covered in your plan)

## **IV. PART I - THE ORGANIZATIONAL PLAN**

**What is Included?** This section should include a brief "description of your business" statement followed by information on the "administrative" end of your company.

### **A. DESCRIPTION OF THE BUSINESS**

Give a broad overview of the nature of your business. Using the key word approach, tell when and why the company was formed, describe the nature and uniqueness of the services and/or products provided, and review the general development of the company. Project a sense of where you see your company going in the next few years. (This statement should not exceed one page.)

### **B. PRODUCTS OR SERVICES**

- ◆ **If you are the manufacturer and/or wholesale distributor of a product:** Describe your products. Tell briefly about your manufacturing process. Include information on suppliers and availability of materials.
- ◆ **If you are a retailer:** Describe the products you sell. Include information about your sources (and alternative sources) of inventory
- ◆ **If you provide a service:** Describe your services List future products or services you plan to provide.

### **C. LEGAL STRUCTURE**

- ◆ Tell what legal structure you have chosen.
- ◆ Briefly state reason for choice.
- ◆ List owners or corporate officers together with short bios.
- ◆ Include Articles of Incorporation, resumes, etc. in Supporting Documents

## BUSINESS PLAN OUTLINE

### D. LOCATION

- ◆ Describe your projected or current location.
- ◆ Project costs associated with the location.
- ◆ Include legal agreements, utilities forecasts, etc. in Supporting Documents.

*Note: If location is important to marketing, cover in Part II - The Marketing Plan.*

### E. MANAGEMENT

- ◆ List the people who are (or will be) running the business.
- ◆ Describe their responsibilities and abilities;
- ◆ Project their salaries.
- ◆ Include resumes in Supporting Documents

*Note: if you are focusing on "total quality management" (TQM), you may wish to combine Sections E. & F. and address it at this point!*

### F. PERSONNEL

- ◆ Who will be doing the work?
- ◆ What are the necessary qualifications?
- ◆ How many hours will they work and at what wage?

### G. ACCOUNTING

- ◆ What system will you set up for the maintaining of financial records?
- ◆ Who will be responsible for tax accounting?
- ◆ What plan do you have periodic financial analysis?
- ◆ Project costs associated with accounting services.

### H. INSURANCE

- ◆ What kinds of insurance will you carry? (Property & Liability, Life & Health)
- ◆ What will it cost and whom will you use for a carrier?

### I. SECURITY

- ◆ Address security in terms of inventory control and theft of information.
- ◆ Project related costs.

### V. PART II - THE MARKETING PLAN

What is a marketing plan? The Marketing Plan covers the details of the plan for researching and reaching your target market. It includes information about the total market with emphasis on your specific target market. It will identify your customers and tell about the means you will utilize to make your products or services available to them.

#### A. TARGET MARKET

- ◆ Identify characteristics of your customers.
- ◆ Tell how you arrived at your results.
- ◆ Back up information with demographics, questionnaires, and surveys.
- ◆ Project size of your market.

#### B. COMPETITION

- ◆ Evaluate indirect and direct competition.
- ◆ Show how you can compete.
- ◆ Evaluate competition in terms of location, market, and business history.

#### C. METHODS OF DISTRIBUTION

- ◆ Tell about the manner in which products and services will be made available to the customer.
- ◆ Back up decisions with statistical reports, rate sheets, etc.

## BUSINESS PLAN OUTLINE

### D. PROMOTION

- ◆ How will you get the message *to* your customers? Your goal is to create a positive image. Include rate sheets, promotional material, and time lines for your advertising campaign.
- ◆ Explain why you have chosen those avenues, how your message will reach your target market, how much your campaign will cost, and when you will begin.
- ◆ Cover promotion under the following headings and add other headings for additional methods of promotion:
  1. Paid Advertising: Ads, Listings, and tradeshow.
  2. Publicity: Media features, reviews.
  3. Direct Mail: (Consider cost vs. return)
  4. Community Involvement: targeted "volunteerism")
  5. Other: Specific to industry.

### E. PRICING

- ◆ Result of market research and costing your product or service.
- ◆ Tell how you arrived at your pricing structure. Back it up with materials from your research (i.e. - Cost analysis, questionnaires, competition analysis, etc.)

### F. PRODUCT DESIGN

- ◆ Answer key questions regarding product design and packaging.
- ◆ Include graphics and proprietary rights information.

### G. TIMING OF MARKET ENTRY

- ◆ Tell when you plan to enter the market
- ◆ Give how you arrived at your decision.

### H. LOCATION

If your choice of location is related to reaching your target market, cover it in this section of your business plan. If not, location can be included in the Organizational Section. (See "*Location*" under The Organizational Plan portion of this outline)

### I. INDUSTRY TRENDS

- ◆ Give current trends.
- ◆ Project how the market may change.
- ◆ State plans for keeping up with future trends.

## VI. PART III- FINANCIAL DOCUMENTS

### The quantitative part of your plan.

This section of the business plan is the quantitative interpretation of everything you stated in the organizational and marketing plans. Do not do this part of your plan until you have finished those two sections.

Financial documents are the records used to show past, current, and projected finances. The following are the major documents you will want to include in your Business Plan. The work is much easier if they are done in the order presented because they build on each other, utilizing information from the ones previously developed.

### A. SUMMARY OF FINANCIAL NEEDS

This is an outline giving the following information:

- (1) Why you are applying for financing
- (2) How much capital you need

## BUSINESS PLAN OUTLINE

### B. LOAN FUND DISPERSAL STATEMENT

- (1) Tell how you intend to disperse the loan funds.
- (2) Back up your statement with supporting data.

### C. PRO FORMA CASH FLOW STATEMENT (Budget)

This document projects what your Business Plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. It is of prime interest to the lender and shows how you intend to repay your loan. Cash flow statements show both how much and when cash must flow in and out of your business.

### D. THREE-YEAR INCOME PROJECTION

A Pro Forma Income Statement showing your projections for your company for the next three years. Use the revenue and expense totals from the Pro Forma Cash Flow Statement for the 1<sup>st</sup> year's figures and project for the next two years according to expected economic and industry trends.

### E. BREAK-EVEN ANALYSIS

The break-even point is the point at which a company's expenses exactly match the sales or service volume. It can be expressed in: (1) Total dollars or revenue exactly offset by total expenses or (2) Total units of production (cost of which exactly equals the income derived by their sales). This analysis can be done either mathematically or graphically. Revenue and expense figures are drawn from the three-year income projection.

**NOTE: The following (F, G, H) are Actual Performance Statements. They reflect the activity of your business in the past. If your business is new and has not yet begun operations, the financial section will end here and you will add a Personal Financial History.**

### F. BALANCE SHEET

Shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period. Contains: (1) Assets, (2) Liabilities and (3) Net Worth. You may also be required to supply your lender with a Projected Balance Sheet if you are a new business.

### G. PROFIT & LOSS STATEMENT (Income Statement)

Shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.

### H. FINANCIAL STATEMENT ANALYSIS

In this section you will use your Income statements and balance sheets *to* develop a study of relationships and comparisons of: (1) Items in a single year's financial statement, (2) comparative financial statements for a period of time, or (3) your statements with those of other businesses. Measures are expressed as ratios or percentages that can be used *to* compare your business with industry standards.

### I. BUSINESS FINANCIAL HISTORY

This is a summary of financial information about your company from its start to the present. The Business Financial History and Loan Application are frequently one and the same. If you have completed the rest of the financial section, you should have all of the information you need to transfer to this document.

## BUSINESS PLAN OUTLINE

### VII. PART IV - SUPPORTING DOCUMENTS

This section of your plan will contain all of the records that back up the statements and decisions made in the three main parts of your business plan. The most common supporting documents are:

#### A. PERSONAL RESUMES

Include resumes for owners and management. A resume should be a one-page document. Include: work history, educational background, professional affiliations and honors, and a focus on special skills relating to the company position.

#### B. OWNERS' FINANCIAL STATEMENTS

A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section.

#### C. CREDIT REPORTS

Business and personal from suppliers or wholesalers, credit bureaus, and banks.

#### D. COPIES OF LEASES, MORTGAGES, PURCHASE AGREEMENTS, ETC.

All agreements currently in force between your company and a leasing agency mortgage company or other agency.

#### E. LETTERS OF REFERENCE

Letters recommending you as being a reputable and reliable businessperson worthy of being considered a good risk. (Both business and personal references)

#### F. CONTRACTS

Include all business contracts, both completed and currently in force.

#### G. OTHER LEGAL DOCUMENTS

All legal papers pertaining to your legal structure, proprietary rights insurance, etc. Limited partnership agreements, shipping contracts, etc.

#### H. MISCELLANEOUS DOCUMENTS

All other documents which have been referred to, but not included in the main body of the plan. (For example, location plans, demographics, competition analysis, advertising rate sheets, cost analysis, etc.)

**PUTTING YOUR PLAN TOGETHER WHEN YOU ARE FINISHED:** Your Business Plan should look professional, but the potential lender or investor needs to know that you did it. A business plan will be the best indicator that can be used to judge your potential for success. It should be no more than 30 to 40 pages in length, excluding supporting documents.

Include only the supporting documents that will be of immediate interest to the person examining your plan. Keep the others with your own copy where they will be available on short notice. You may wish to have your plan bound at a local print shop. Make copies for each lender or investor you wish to approach. Do not give out too many copies at once, and keep track of each copy. If you are turned down for financing, be sure to retrieve your business plan.

#### **KEEP YOUR BUSINESS PLAN UP-TO-DATE!!!**

Your business plan will work only if you update it frequently to reflect what is happening in your business. Measure what you have projected against what has actually happened in your company. Use the results to analyze for effectiveness and plan for the implementation of changes that will make your business more profitable.

Source: Small Business Administration  
[www.sba.gov](http://www.sba.gov)

## DIRECTORY

### Appraisal District

McLennan County Appraisal District  
[www.mclennanappraisal.org](http://www.mclennanappraisal.org) 254.752.9864

### Business Assistance

McLennan Community College (MCC)-Small Business Development Center  
[www.mccsbdc.com](http://www.mccsbdc.com) 254.299.8141

Business Resource Center  
[www.brc-waco.com](http://www.brc-waco.com) 254.754.8898

SCORE (Service Corp of Retired Executives)  
[www.brc-waco.com/score.asp](http://www.brc-waco.com/score.asp) 254.754.8898

Baylor - John F. Baugh Center for Entrepreneurship  
[www.baylor.edu/business/entrepreneur](http://www.baylor.edu/business/entrepreneur)  
For information on FastTrac Entrepreneurship Training Program, Innovation Evaluation Program, and the Institute for Family Business.

### Business License

McLennan County Clerk's Office  
[www.co.mclennan.tx.us](http://www.co.mclennan.tx.us) 254.757.5000  
Contact the County Clerk's Office to register your business name.

Other County Clerk's Offices  
[www.texasonline.com/category.jsp?language=eng&categoryId=6.2](http://www.texasonline.com/category.jsp?language=eng&categoryId=6.2)  
Use this link to locate other County Clerk's offices within the State of Texas.

### Chambers of Commerce

Greater Waco Chamber of Commerce  
[www.wacochamber.com](http://www.wacochamber.com) 254.752.6551

Cen-Tex African-American Chamber of Commerce  
[www.centexchamber.com](http://www.centexchamber.com) 254.235.3204

Cen-Tex Hispanic Chamber of Commerce  
[www.wacohispanicchamber.com](http://www.wacohispanicchamber.com) 254.754.7111

### City Offices

City of Waco Inspections Department  
[http://www.waco-texas.com/city\\_depts/Inspections/newconstruct.htm](http://www.waco-texas.com/city_depts/Inspections/newconstruct.htm) 254.750.5612

# DIRECTORY

## City Offices

### City of Waco Planning Services

[www.waco-texas.com/city\\_depts/planningservices/planning.htm](http://www.waco-texas.com/city_depts/planningservices/planning.htm) 254.750-5650

Contact this department to verify zoning for your business.

### City of Waco Economic Development

<http://www.wacodevelopment.com/> 254.750.5640

Includes Facts at a Glance, Resources, Land, Infrastructure, Labor Force, Partners, and Incentives.

### City of Waco - Current Bid Opportunities

[www.waco-texas.com/city\\_depts/purchasing/currentbids.htm](http://www.waco-texas.com/city_depts/purchasing/currentbids.htm) 254.750.8060

## Corporations

### Articles of Corporation

<http://www.sos.state.tx.us/corp/>

If you plan to operate your business as a corporation, you must file with the State of Texas for a charter.

You can download the forms at <http://www.sos.state.tx.us/corp/business.shtml>

However, we recommend you enlist the help of an attorney for this and any other legal help and contracts.

## Demographics

### Greater Waco Chamber of Commerce

[www.wacochamber.com](http://www.wacochamber.com) 254.752.6611 x316 (Research Specialist)

For reports, maps, demographics and other marketing research.

### Heart of Texas Council of Governments

[www.hotcog.org](http://www.hotcog.org) 254.292.1800

Coordinates the services of a census information data center.

### Texas Department of Transportation

[www.dot.state.tx.us/txdot.htm](http://www.dot.state.tx.us/txdot.htm) 254.772.2890

Obtain traffic counts for specific intersections.

## Licenses & Permits

### State Licenses & Permits

[www.state.tx.us/category.jsp?language=eng&categoryid=9](http://www.state.tx.us/category.jsp?language=eng&categoryid=9) 800.888.0511

Links to information pertaining to licenses and permits required by the State of Texas. Click on A-Z on the site for an alphabetical list of businesses that require permits or licensing.

## DIRECTORY

### Licenses and Permits

**Waco-McLennan County Public Health District - Environmental Health Division**

[www.mclennanpublichealth.org/foodsafety.htm](http://www.mclennanpublichealth.org/foodsafety.htm) 254.754.5464

Any place where food or drinks are produced, packaged, processed, manufactured, transported, sold, handled or vended should check with the Health District for the appropriate permit.

**Texas Alcoholic Beverage Commission**

[www.tabc.state.tx.us/default.htm](http://www.tabc.state.tx.us/default.htm) 254.776.7626

Information about licensing and fees related to the sale of alcoholic beverages.

### Miscellaneous

**Better Business Bureau**

[www.waco.bbb.org](http://www.waco.bbb.org) 254.755.7772

Use this resource to register (establish a track record for the future) or to check out a business.

**Waco-McLennan County Library**

[www.waco-texas.com/city\\_depts/libraryservices/libraryservices.htm](http://www.waco-texas.com/city_depts/libraryservices/libraryservices.htm)

Central Library 254.750.5941

East Waco Library 254.750.8620

R.B. Hoover Library 254.745.6018

South Waco Library 254.750.8621

### Property Locator

**Greater Waco Prospector – [www.wacoprosector.com](http://www.wacoprosector.com)**

A free website that allows users to identify available commercial property. The website also provides data including workforce demographics, business information, and interactive maps.

### Taxes

**Employment Taxes – Social Security Administration**

<http://www.ssa.gov/employer1.htm>

Instructions for W-2 (including electronic filing), hiring responsibilities and more.

**Federal Taxes**

**Internal Revenue Service**

<http://www.irs.gov/> 800.829.1040

To obtain tax information and to apply for Employer's Identification (EIN Form SS-4).

**Texas Comptroller of Public Accounts**

[www.window.state.tx.us](http://www.window.state.tx.us) 254.752.3147

801 Austin Ave, STE 810, Waco, TX, 76701

## DIRECTORY

**Self Employment —Social Security Administration**

<http://www.ssa.gov/selfemployed.htm>

Information for the self-employed.

### Websites

**Waco-McLennan County Public Health District - Environmental Health Division**

[www.mclennanpublichealth.org/foodsafety.htm](http://www.mclennanpublichealth.org/foodsafety.htm) 254.754.5464

Any place where food or drinks are produced, packaged, processed, manufactured, transported, sold, handled or vended should check with the Health District for the appropriate permit.

# NOTES