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## **START UP BASIC**

Starting and managing a business takes motivation and talent. It also takes research and planning. Although initial mistakes are not always fatal, it takes extra skill, discipline, and hard work to regain the advantage. Take time beforehand to explore and evaluate your business and personal goals, then use this information to build a comprehensive and thoughtful business plan that will help you reach these goals.

Developing a business plan will force you to think through some important issues that you may not otherwise consider. Your plan will become a valuable tool as you set out to raise money for your business, and it will provide milestones to gauge your success.

### **Getting Started**

1: List your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- Self-management
- Financial independence
- Creative freedom
- Full use of personal skills and knowledge

2: Next 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?
- Will I have the support of my family?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

3: Identify your business niche. Research and answer these questions:

- What business am I interested in starting?
- What services or products will I sell?
- Is my idea practical, and will it fill a need?
- What is my competition?
- What is my business's advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?

4: The final step before developing your plan is the pre-business checklist. You should answer these questions:

- What skills and experience do I bring to the business?

- What legal structure will I use?
- How will my company's business records be maintained?
- What insurance coverage will be needed?
- What equipment or supplies will I need?
- How will I compensate myself?
- What are my resources?
- What financing will I need?
- Where will my business be located?
- What will I name my business?

Your answers will help you create a focused, well-researched business plan that will serve as a blueprint for business operations, management, and capitalization. SBA offers a tutorial on preparing a solid plan.

Once you have completed your business plan, review it with a friend or business associate. When you feel comfortable with the content and structure, review and discuss it with your banker. The business plan is a flexible document that should change as your business grows.

## **The Business Plan**

The Business plan allows you to obtain financing and establish a direction for the business. This document is not written once and stashed in a file cabinet. Most experts say the business plan should be reviewed once every three (3) to five (5) years and revise the current economic environment. The timeframe depends on how fast or slow your business grows and is completely up to you. The entrepreneur must view the business plan as a living entity that changes as the company grows and reaches certain milestones. The business plan usually contains an executive summary, introduction, financial projections, personal financials, marketing plan, and the résumés of the Management team.

## **Business Plan Preparation**

**Executive Summary** The executive summary is the first page of the business plan. Write every other part of the business plan first and then summarize the entire document into one page. The executive summary is your first selling point followed by your financial projections when trying to get financing. If you are looking for a loan, include the amount you are asking for, purpose, and how the loan will be paid back.

**Introduction** In this section, you include the details of your business. Include a description of the company's operations, primary market, background and eventual goals. Explain the company structure, legal structure (sole ownership, partnership, corporation or limited liability) and business location. Include your product and/or service and identify your company or entrepreneur name. This section should be two to three sentences long.

**Financial Projection** Entrepreneurs who have gone through the process say the most common mistake in starting a business is underestimating the start up costs. Using standard cost accounting procedures, start up costs can be divided into two categories - fixed and variable.

Fixed costs are those incurred by the purchase or lease of equipment, supplies, utility deposits, furniture, fixtures and vehicles, real estate rent or mortgage. They can be tabulated and will be the

same regardless of the volume of business generated. Advertising costs can be considered fixed if planned for.

Variable costs are those most often underestimated by entrepreneurs. Variable costs in this case include not only costs associated with the volume of operations but in discussing start up costs, they include unplanned costs.

First and foremost, variable costs include those expenses associated with operating the business until the point of POSITIVE CASH FLOW. While various mechanisms are available to cover fixed initial costs, most lenders expect the entrepreneur to provide the working capital necessary to operate the business to POSITIVE CASH FLOW.

Variable costs include payrolls, inventory, utility bills and unplanned expenses such as production waste costs (applies to manufacturing and service businesses); unanticipated production costs such as bonds, insurance premiums; underestimated job quotes and the like. It is usually a good idea to add a certain percentage say 10 -20 % of variable costs as unanticipated expenses.

Entrepreneurs generally report underestimating the time required to generate POSITIVE CASH FLOW, that is, to generate enough cash inflow to cover fixed and variable costs. The initial goal of the entrepreneur is to reach POSITIVE CASH FLOW, not make a profit. If they make POSITIVE CASH FLOW, profit should follow. This is the area for the entrepreneur to be realistic or at least conservative.

Start up costs should be reflected in the first year's Profit and Loss Statement.

Caution: Profit and Loss Statements are calculated using the ACCRUAL Method; that is, sales and expenses are recognized at the time they occur not when they are paid or accounts collected. The CASH FLOW accounts for the actual time periods in which bills are paid and receipts collected.

A monthly Profit and Loss statement can be used to furnish Operating Projections for lenders to review and analyze. Existing businesses seeking expansion financing should furnish three years back P & L's and one year projected. New enterprises should project operations three years into the future.

**Personal Financials** If you are going to use the business plan to support a loan request, include personal financial statements. Personal financial statements are needed for every owner no matter how small the percentage of ownership. Owners should list any assets owned and debt owed to creditors. Knowing the credit score of all owners is very important when submitting the business plan to lenders. This section should also include the name, address, telephone numbers and relevant work or industry experience for each team member. The purpose of this section is to acquaint loan officers with the team's industry experience and demonstrate their ability to operate a company. Unlike a job-seeking résumé that concentrates on accomplishments, this résumé should outline learned skills and experiences that facilitate the operation of a company. This section should answer several key questions. Who is going to run the daily operations? Who will balance the books? Who will market and sell your product or service? Who is your attorney? Having the management team's roles and responsibilities on paper benefits everyone because they know their duties. In this section you may include an advisory board that supports your company in area where your team lacks experience.

**Marketing Plan** The Market Plan is one of the crucial aspects of the business plan. It identifies for the entrepreneur as well as lenders the environment in which the business will operate. It identifies competitors, which may impact the operations of the business; identifies pricing or technical innovation strategies where appropriate. It should review business cycles and practices, which may be unique to the industry. It identifies key features of the product or service offered; that is, those features product buyers consider important.

If relying on industry experience, you may have decided upon a product or service, which the business can furnish to a specific group of buyers you have already identified.

If new to an industry, you will have to do some extensive work in both product and buyer identification.

Which specific products or services do you intend to furnish?

Which specific buyers do you intend to sell your products or services to?

What is the buying cycle? Periodic? Seasonal? What are the pricing practices? What are the payment practices?

What are the characteristics of the market? Growing, steady, declining? Aging? Relocating?

What are the external influences on the market? Regulatory? Fad or Fashion conscious? Hurt or helped by government or industry changes?

What is the entrepreneur's DIFFERENTIAL ADVANTAGE? Why should the market purchase from you instead of the competition?

This is just a brief list of marketing information the entrepreneur must consider. Depending on the product and market selected, the entrepreneur can look forward to spending much time, energy and money to develop answers to the above questions. The market analysis is the most important part of a business plan because it establishes the base upon which the business will be constructed. All other parts of the business plan should support the entrepreneur's plan to service the selected market.

## **TYPE OF BUSINESS ORGANIZATIONS**

### **Sole Proprietorship**

This is the easiest and least costly way of starting a business. One person operating a business as an individual is a sole proprietorship. Profits are taxed as income to the owner personally. Finding a location and opening the door for business can form a sole proprietorship. 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 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. You may want to incorporate as a "C" or "S" corporation.

## **OWNERSHIP OPTIONS**

### **Purchasing An Existing Business**

Entrepreneurs may save time and trouble by purchasing an existing business. If it is a sole proprietorship or general partnership, you are buying assets from the owner. You are not assuming liabilities unless you specifically agree to.

The advantages of buying a business are avoidance of start up costs; usually, no down time in acquiring customers; established vendor relations; some kind of financial history on which you can base your decision. The disadvantages may be the flip side of the advantages. There may be few customers to acquire; vendor relations may be terrible due to unpaid bills; the financial history may not be as rosy as the owner projects.

The first step in deciding to purchase a business is to decide just what you want the business to accomplish. Do you want to make a living; provide employment for you, a spouse, children, and their spouses? Do you want to operate a business at a certain volume or to grow a business to a Fortune 1000 status?

The second step in acquiring a business is to locate one for sale. Entrepreneurs may use business brokers who advertise in the classified section in newspapers, trade journals and the Yellow Pages. You may learn of businesses for sale from salesmen, vendors and other contacts in the industry. Chambers of Commerce may know of businesses for sale.

The third step begins once you find a business for sale. Determining the value of a business is as much art as science. What is the business worth? When asked its value, buyers typically begin

listing real estate and equipment. A BUSINESS IS NOT VALUED FOR THE WORTH OF ITS ASSETS - IT IS VALUED FOR IT'S ABILITY TO GENERATE CASH AND SUBSEQUENTLY PROFITS FOR THE OWNER. Therefore, some multiple of cash flow is a good guide valuation.

An analysis of the company's profit and loss statements from three years should help the entrepreneur determine trends, a rough cash flow and profitability of the business. The results will enable a prospective buyer to forecast funds available to service new debt as well as monies left for distribution to the owner.

There are no hard and fast rules of pricing such as value equals X times earnings. Much will depend on the amount of financing required.

The fourth step requires an entrepreneur to purchase the business. Most will be compelled to seek outside financing to close the deal in these cases, most lenders will require some owner financing. This serves to reduce their risk as well as keep some owner involvement or a least interest in the continued success of the venture.

When purchasing a sole proprietorship or general partnership, the following administrative matters must be addressed:

- a.) The current owner must close out his or her Business License. The buyer must obtain one in his or her name.
- b.) State taxes (Sales and Use Taxes). The owner must close out the current tax accounts. The buyer must apply and establish new accounts.
- c.) Unemployment Insurance. Again, -the current owner closes out his accounts while the buyer must open new accounts.
- d.) BULK TRANSFER LAW. Tennessee has a bulk transfer law designed to protect creditors from; *"The merchant owing debts, who sells out his stock in trade to any one for any price, pockets the proceeds, and disappears leaving his creditors unpaid."* "The ...form of fraud suggested above represents the major bulk sales risk, and its prevention is the central purpose of the existing bulk sales laws..."

This provision - Uniform Commercial Code - Bulk Transfers (TN Code Annotated 47-6-101 -111) requires certain notices-be given-a business's creditors; requires a complete list of creditors of a proprietor's business operations; requires certain actions of a buyer in regard to the distribution of his or her proceeds to creditors.

The purchase of a business is complicated by the firm's own business practice history. Legal advice from a lawyer experienced in business law can prevent litigation and damaged reputation.

The bottom line is that a business purchased after careful and KNOWLEDGEABLE analysis can help an owner realize his dreams; without a careful and knowledgeable analysis the purchase can turn into a nightmare of bankruptcy and strained relationships.

## **Buying A Franchise**

One avenue for an entrepreneur is to purchase a franchise. The franchise industry can offer a package of assistance, marketing data, proven product or services. Depending on the franchise purchased, an entrepreneur's industry risk may be considerably less than starting a venture from scratch.

First the numbers: 72 percent of all mall stores are franchise operations. The nation's 533,000 franchises produce over \$700 billion in sales annually for roughly 35 percent of all goods and services

sold.

Franchises may take one of two forms. Business Format Franchising includes ongoing operational interface with the franchiser. Franchisees (the local business owner) may purchase inventory, trademark goods, take advantage of national or regional advertising, and receive bookkeeping and training assistance from the franchiser (corporate headquarters). Most fast food franchises fall into this category, as well as pest control, tax services and the like.

Product and Trade Name Franchising involves buying one product line for resale, using the franchiser's name. Automobile dealerships, retail service stations and many soft drink bottlers fall under this category.

Basically, a franchisee purchases the right or license to sell the franchiser's products or services within an exclusive territory. These territories may encompass entire states or countries, or may include only a few square blocks of metropolitan areas. The franchisee usually pays an up front fee plus periodic franchise fees for corporate overhead (management, advertising etc.). Fees may be fixed or based on performance of the franchise.

Franchises may be purchased or leased. Franchisees may be required to purchase inventory from approved vendors or from the corporate office exclusively. The conditions surrounding the relationship are spelled out in the franchise contract. Some franchisers require a minimum level of sales or profitability for continuation of true relationship.

Advantages:

Buying a franchise can have certain advantages over starting a business from scratch.

Franchisers can help manage industry risk with legislative lobbyists, consultants, and corporate headquarters staff who can do future planning. This gives a franchisee the benefit of a large corporate support staff for minimum cost.

A successful franchise operation should offer a known product or service such as Hardees or H & R Block.

A certain level of demand and pricing has been established. Data about the target market has been gathered.

In other words, much of the industry risk has been averted.

Marketing information, including analysis of competitors' products and pricing, trends, estimated sales projections; product design and delivery are some of the key benefits of a franchise relation.

Many franchisers perform marketing studies and surveys, which small business owners could not afford.

Some franchisers offer direct financing or referrals to investment institutions specializing in franchise financing. Be prepared to furnish 25 to 35 percent in personal equity.

Many franchisers offer or require training courses in the business, providing shortcuts to experience and knowledge, which would take business owners years to acquire. In addition to business practices, they may provide standardized bookkeeping services, further streamlining operations.

Some franchisers offer the right of first refusal. That is, if market conditions indicate, a franchiser may expand operations in an area adjacent to a current franchisee. Some franchisers offer current operators the opportunity to run the second franchise. This gives the entrepreneur a chance to

expand to multiple locations as the market and owner's expertise increases.

A franchiser should provide names of current operators for entrepreneurs to meet with in investigating a franchise opportunity. These business owners can give invaluable insight into their particular business and their view of franchiser support. A franchisee should never consider investing until speaking with several operators.

Selecting a Franchise:

There are many of franchise opportunities from which to choose. Two important criteria in selecting a franchise are the entrepreneur's experience and the entrepreneur's bank account.

An entrepreneur can better manage a company when he or she possesses experience in the industry. Regardless of franchise sponsored training, there is no substitute for experience. Franchisers do not manage businesses. Whether it is staffing a fast-food outlet on slow nights or working with local codes and ordinances in the area of termite and pest control, industry experience can help the business owner avoid costly mistakes and poor management practices.

The prospective entrepreneur's bank account is a key component in acquiring and operating a franchise. An advantage to buying a franchise is that initial costs and operating expenses can be projected with more certainty. A disadvantage is that this knowledge is often paid for with up front franchise fees. Many franchise owners consider this cost well worth the money.

There are several sources of information on more than 3000 U.S. franchisers: Entrepreneur magazine, Franchise Opportunities Handbook (published by U.S. Dept. of Commerce and found in many libraries) and Inc. magazine. Highly recommended is Enterprise magazine's annual franchise issue (each January) as a primer on franchise operations and for it's ranking of 500 franchise opportunities.

After selecting one or several franchise opportunities, you must make the initial contact, either in writing or by phone. The object of the initial contact is to obtain the franchiser's UNIFORM FRANCHISE OFFERING CIRCULAR. Franchisers may mail this document; however, by law they are required to furnish this prospectus at the first, "personal" meeting, 10 business days prior to signing a franchise contract, or 10 business days prior to any payments.

The Uniform Franchise Offering Circular (UFOC) is a disclosure statement providing enough information to enable an informed decision to be made -- YOUR informed decision. The Circular must meet requirements of the Federal Trade Commission's Franchise Rule. In Tennessee, there are no other disclosure documents required. However, there are additional laws governing package alcoholic beverages and petroleum-based fuels (TCA 47-25-1000 - 1300). In addition, there are several laws covering termination of franchises in the same chapter.

The UFOC has 23 separate sections covering franchiser financial information, projected franchise costs, all franchiser fees and charges, territories, termination of franchise, lease agreements and the like. An entrepreneur cannot make an informed decision without this information.

Be aware that the UFOC does not decide the issue. The prospective business owner must use the information to decide if the venture meets expected goals, experience and bank account. This is the first decision an entrepreneur makes and may very well be the-most important decision an entrepreneur makes concerning the venture.

### WORD OF CAUTION!!!

Many unscrupulous operators set up fraudulent schemes under the guise of franchising. These pyramid schemes have been around a long time but continue to cost people their life's saving every

year.

A pyramid scheme is a business in which you are recruited supposedly to sell a product or service. For several thousand dollars, you are coached on how to recruit still other sellers. You make your money from the network of sellers. A rule of thumb: If the company emphasizes recommitment of salespeople over the need to sell product or services, be very cautious. Such schemes are against the Consumer Protection Act—Several years ago 14 states; Tennessee included, took Glen Turner's company Dare To Be Great to court and succeeded in shutting it down. While the company had products, their main emphasis was recruiting investors who would in turn recruit more investors. The company's profits rested on recruiting an increasing number of investors rather than increasing sale of product.

Should you find yourself dealing with a questionable franchiser, contact the Consumer Affairs Division with the Tennessee Department of Commerce and Insurance in Nashville at 615-741-4737. They may have information that could preserve your life savings.

Additional Sources of Information:

Franchise Opportunities Guide, published by  
International Franchise Association  
1350 New York Avenue, N.W. Suite 900  
Washington, D.C. 20005-4700  
Office: 202-628-8000

## **Home and Internet-Based Businesses**

According to the U.S. Department of Labor; nearly 9 million people are self-employed. These businesses are predominantly home and internet-based businesses. They include consultants, manufacturers representatives, free lancers of many different stripes: data entry, writers, designers, artists, crafts, photographers, virtually any business not requiring a "corporate" setting.

While the above may be considered full time, there are literally millions of part time home based businesses, producing supplementary income for households. Flea markets are full of stalls manned by part time carpenters, coin dealers, and the like who are full time assembly workers, accountants, homemakers. A part time home-based business can add income to increase the household budget and act as a stepping-stone to a full time business. The operator or hobbyist who takes this approach can learn valuable lessons in business management, especially time management.

Many part time businesses may be profitable only on a part time basis—either due to hours during a week or because of seasonal sales. An after school child care business may be profitable because it operates only three hours a day five days a week; a crafts business specializing in Christmas decorations may be profitable only from Thanksgiving through Christmas.

Entrepreneurs considering converting a business to full time should go through one or more annual business cycles to better gauge the prospects of a sustained level of sales.

As far as identifying the type of business an entrepreneur should go into, there are books in the public library listing hundreds of different ideas for home based businesses. However, they all omit the most important aspect in selecting a business - the entrepreneur. The most important ingredient in any small business is the entrepreneur; his or her personality, interests, abilities, drive, commitment, relationships, priorities.

The place to start analyzing opportunities is with the entrepreneur.

Does the business require learning new skills or does it complement skills already developed? It may be harder to develop skills on one's own than in a corporate setting that offers training as well

as colleagues to help the learning process.

Entrepreneurs must be honest in assessing their own skills - particularly in manufacturing; Woodworking can be a rewarding hobby. It can be a rewarding business if the entrepreneur can produce high quality period pieces for the upscale market. It can be a terrible business if the woodworker does not have marketing savvy or if he or she does not price appropriately for the time and materials invested.

"What is the level of business management skills? Does the entrepreneur have experience in marketing, pricing, financial projections, bookkeeping and the like?"

Businesses, home based or otherwise, do not operate by producing goods or services. They operate by selling those goods and services at a profit. They make profits by controlling costs while producing goods and services cheaper than they sell them. A skilled woodworker then, must become a skilled business manager.

A craft person must be knowledgeable about the operations of flea markets and crafts fairs to turn her art or craft into a paying business.

The principles of a home-based business are the same as those, which govern all businesses.

If you are considering a home-based business, you should contact your local zoning and building codes office or commission to find out if you need special permits. In addition to a local zoning permit, you may need to obtain a business license from your county clerk office to run your home-based or internet-based business. This requirement depends on how much income you earn and varies by the county in Tennessee. In addition, you may need to look at business insurance, because homeowners' insurance policies do not generally cover home-based business losses. Common insurance areas for home and internet-based businesses include business property, professional liability for damage done by hackers and viruses, lawsuits, banner advertising, or electronic copyright infringement, personal and advertising injury, loss of business data, and crime insurance.

Internet and catalog businesses are required to collect sales tax from customers living in Tennessee. Tennessee does not require businesses to collect sales tax from non-citizens of Tennessee. Other states may require you to pay tax for sales in their state. Visit [www.tennessee.gov/revenue](http://www.tennessee.gov/revenue) to find more information about Tennessee taxes.

The Internet Corporation for Assigned Names and Numbers (ICANN) has accredited over 860 registrars that offer domain name (website address) registration. The ICANN registrars allow business owners to purchase a domain name, or purchase a domain name and package of services such as web hosting services. Visit [www.icann.org](http://www.icann.org) for a list of accredited registrars.

### **Limited Liability Company**

Limited Liability Company (LLC) is a relatively new business structure allowed by state statute. An LLC can be expensive to organize and requires more administrative work than other legal forms of business. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. Other features of LLCs are more like a partnership, providing management flexibility and the benefit of pass-through taxation. Owners of an LLC are called members. Since most states do not restrict ownership, members may include individuals, corporations, other LLCs and foreign entities (businesses outside of Tennessee). There is no maximum number of members. Most states also permit "single member" LLCs those having only one owner. A few types of businesses generally cannot be LLCs, such as banks and insurance companies. There are special rules for foreign LLCs. The Tennessee Bar Association (TBA) will guide you to a legal referral service and help you discover if you would qualify for free legal service. The TBA also has an online information section titled Law Bytes. Law Bytes is a free public

service program that offers easy-to-understand summaries on more than 70 topics, ranging from employment law to wills and estates. More information about TBA and Law Bytes can be found online at [www.tba.org](http://www.tba.org). The Tennessee Society of Certified Public Accountants (TSCPA) is the state professional organization for certified public accountants. TSCPA can help businesses find a Certified Public Accountant (CPA) to assist with the start-up and running of the business. TSCPA also has an online Small Business Resource Center. The Small Business Resource Center mission is to educate, provide information, and resources that would assist small business enterprises. This and more information can be found online at [www.tncpa.org](http://www.tncpa.org).

## **FINDING THE MONEY YOU NEED**

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 resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.

### **Friends and relatives**

Many entrepreneurs look to private 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.

### **Credit Cards**

Credit cards are a common source of financing, especially for small items and equipment your business might need. As credit cards carry a higher rate of interest than conventional loans, their use should be planned and carefully used. Maintaining a good credit history is important as the business grows and evolves.

### **Commercial Credit**

Lenders usually offer two types of commercial loans to small businesses: term loans and seasonal lines of credit. For most bank loans, lenders ask you to pledge personal assets (including your house) as collateral and furnish signed guaranties from all principles.

Term loans are generally for fixed assets; that is, they are used to purchase real estate and equipment. You collateralize the loan with the assets purchased. As such, lenders generally extend a loan for a percentage of the value rather than full value for the goods. Such loans usually take the form of installment loans with monthly payments.

Seasonal lines of credit are extended to satisfy the working capital needs of a firm. Proceeds are used to purchase inventory, take purchase discounts and make payrolls. While some lenders may take accounts receivable and inventory as collateral, be prepared to use all assets of the company to secure these loans. Borrowers are expected to pay off seasonal lines of credit at least once a year. Small business borrowers generally draw down and pay off seasonal lines of credit several times a year. Other lines of credit include: business line of credit and home equity line of credit. A

business line of credit typically has a variable interest rate at or near the prime rate and does not need to be repaid annually. A home equity line of credit (HELOC) authorizes you to spend up to the amount of equity (present value of home minus existing mortgage debt you have in your home). Interest rates are typically variable and do not need to be repaid annually. Be sure to read all documents prior to signing and don't hesitate to consult your attorney.

## **Federal Government Loan Programs**

The Small Business Administration (SBA) is a federal agency that provides small businesses with loan guarantees, counseling and training. SBA works primarily with banks to help reduce their risk in lending to small businesses. If you are interested in an SBA-guaranteed loan, you do not go to the SBA; you meet with an SBA banker at a traditional bank. □e SBA's largest loan program is the 7(a) loan guarantee program. Loan guarantees help reduce the risk for banks making loans to new, small businesses. Guarantees range from 50- 85% depending on the loan amount.

The SBA Micro-Loan assists small businesses that need small amounts of financial assistance. Under this program, SBA makes direct and guaranteed loans to nonprofit lenders who use the proceeds to make micro-loans to eligible borrowers. Another loan offered by the SBA is the Certified Development Company (CDC) 504 loan. The 504 Program provides expanding businesses with long term, fixed-rate financing for major fixed assets, such as land and buildings. The 504-loan program allows small businesses to take advantage of the open capital markets, but avoid much of the costs associated with entry into these financial markets. More SBA Loan information is online at the U.S. Small Business Administrations website, [www.sba.gov/tn](http://www.sba.gov/tn).

You can access a list of SBA Certified lenders in Tennessee online by visiting <http://www.sba.gov/tn> and click on Financing.

The U.S. Department of Agriculture (USDA) Rural Development Division has Business-Cooperative Programs that provide business and industry loans in rural areas across Tennessee. Generally, the USDA defines a rural area as a non-urbanized area with less than 50,000 in population. □e USDA loan programs are administered through its regional offices and focus on assisting businesses that create jobs for rural citizens. Contact your local USDA Rural Development Office for more information or visit them online at <http://www.rurdev.usda.gov/tn/>.

The Tennessee Valley Authority (TVA) also has loan opportunities for small businesses. □e Economic Development Loan Fund (EDLF) is a multimillion- dollar revolving loan program designed to stimulate capital investment and job creation in the TVA region. Minority- and woman-owned companies and companies within targeted industrial sectors are given special emphasis and consideration. The TVA Southern Appalachian Fund is a \$12.5 million venture capital fund that provides equity capital and operational assistance to qualifying businesses in Kentucky, Tennessee, and the Appalachian counties of Georgia, Alabama, and Mississippi. □e TVA Special Opportunities Counties (SOC) fund is a \$16 million revolving loan fund that is available for buildings, equipment, real estate, industrial parks, and building development. More information is accessible online at [www.tvaed.com](http://www.tvaed.com).

## **State Government Loan Programs**

The Tennessee Department of Economic and Community Development (ECD) offers two low-interest small business loans. The Tennessee Small Business Energy Loan Program provides low-interest loans up to \$300,000 to qualified Tennessee based businesses. □is loan is made to help upgrade the level of energy efficiency in buildings and plants and to improve manufacturing processes. This loan is offered through the Energy Division of ECD. The Energy Division hotline is 1 (800) 342-1340.

The ECD-BERO Rural Micro- Loan Program provides loans of \$500-\$10,000 to small business with five or fewer employees. Only entrepreneurs and small businesses living and operating a business in rural Tennessee are eligible. The Business Enterprise Resource Office (BERO) manages the program and also provides free technical assistance for the life of the loan. BERO provides an Enterprise Specialist that will work with you for the life of the loan. Contact BERO by phone at 1-800-872-7201. The loan application can be downloaded at [www.tnecd.gov/bero](http://www.tnecd.gov/bero). Created by Governor Bredesen in 2007, the Tennessee Rural Opportunity Fund provides much needed capital small businesses in rural Tennessee. The ROF is a joint fund between the State of Tennessee, the Tennessee Bankers Association, and Southeast Community Capital Corporation. The fund provides loans and technical assistance to small, disadvantaged, and early-stage businesses in rural Tennessee. To apply, visit Southeast Community Capital online at [www.sccapital.org](http://www.sccapital.org).

The Tennessee Department of Treasury administers the Small and Minority-Owned Business (SMOB) Assistance Program. SMOB loans are available for acquisition of machinery and equipment, working capital, supplies and materials, inventory, and certain other business related activity. Program services include technical assistance, education, and consulting services to qualifying businesses. To learn more and/or apply, visit: [www.tnsmob.org](http://www.tnsmob.org) or call (423) 424-4298 or 1-866-918-7360.

## **Government Grants**

The truth is that federal and state governments do not provide grants directly to individuals to start or expand typical small businesses. Most grants offered by the government are designed to expand and enhance organizations that provide small business management, technical, or financial assistance. These grants generally support non-profit organizations, intermediary lending institutions, and state and local governments. However, the U.S. government does offer a wide-variety of loans and training programs to help entrepreneurs start and grow their businesses.

Some federal and state agencies award a limited number of grants for very specialized business activities such as scientific research and development. These R&D grant programs include the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. The STTR and SBIR are competitive, nationwide grant programs designed to stimulate innovation and development in high technology industries. In Tennessee, businesses can get assistance with applying for SBIR and STTR opportunities through the University of Tennessee, Center for Industrial Services. Visit them online at <http://www.cis.tennessee.edu> or call 888-763-7439. Persons receiving disability benefits from the Department of Human Services, Vocational Rehabilitation Services, may apply for a self-employment grant to start a small business. In addition, farmers can compete for cost-reimbursement grants from the Department of Agriculture for specific activities. More information is provided in the “Targeted Businesses and Topics” section of the guide.

## **Borrowing Money**

Borrowing money is one of the most common sources of funding for a small business, but obtaining a loan isn't always easy. Before you approach your banker for a loan, it is a good idea to understand as much as you can about the factors the bank will evaluate when they consider making you a loan. This discussion outlines some of the key factors a bank uses to analyze a potential borrower.

### **1. Ability to Repay/Capacity**

### **2. Credit History**

### 3. Equity

### 4. Collateral

### 5. Experience

## Applying for a Loan

When applying for a loan, you must prepare a written loan proposal. Make your best presentation in the initial loan proposal and application; you may not get a second opportunity.

Always begin your proposal with a cover letter or executive summary. Clearly and briefly explain who you are, your business background, the nature of your business, the amount and purpose of your loan request, your requested terms of repayment, how the funds will benefit your business, and how you will repay the loan. Keep this cover page simple and direct.

## Elements of Your Loan Proposal

Generally, the loan proposal is comprised of the following elements:

#### 1. **Summary: Comes first; written last.**

This should be clear, concise, accurate and inviting. You want to summarize how the proposed loan will be used, how it will be repaid and how it will benefit your business. Remember, that you are competing with many others, so you'll also want to point out some of the distinguishing features of your business.

#### 2. **Top management profiles:**

The key issue here is who are you? Be prepared to come under close scrutiny. You will need resumes as well as a summary of experience, qualifications and credentials for all owners and key members of your management team.

#### 3. **Business description:**

You don't need to repeat all of the information contained in your business plan, but you do need to present a solid description of your business. Include a brief overview of the history of your business, plus a summary of current activities. Make sure you clearly demonstrate that you understand your markets and industry (current trends and risks). Include literature showing your products or services. It is also helpful to include letters from suppliers, customers and other business references.

#### 4. **Projections:**

Include projected income statements and cash flow statements for two to three years. Your assumptions should be clearly stated and realistic. Generally, you don't need to show "best case" and "worst case" unless the banker asks you to do so. But do be prepared to answer questions (in quantifiable terms) about what happens if some of your assumptions don't come true. For example, if you anticipate obtaining a major new contract or customer as a result of newly expanded capacity, can you estimate the impact on your income statement if that customer decides to take her business elsewhere?

#### 5. **Financial Statements:**

The loan package must include both business and personal financial statements. Make sure that you fully understand the "story" that your financial statements tell. Be assured that your banker will fully analyze your historical financial statements and calculate all the ratios. So, prepare in advance and point out any significant trends in an introductory paragraph.

#### 6. **Purpose of the loan:**

Present a detailed statement of how you will use the loan proceeds. Don't forget to include the proceeds of the loan in your cash flow projections (and the interest in your projected

income statement).

7. **Amount:**

Remember, that you are offering the bank a deal that will make them money -- you are not asking for an "allowance". The attitude you should take is to ask, "how much money do you need, and how much will they lend?" and not, "will they lend it?"

8. **Repayment plans:**

You will have to make some assumptions about the terms of the loan in your proposal. (Obviously, this is necessary to prepare the initial financial projections.) In the first package, you will propose the terms that you want, but ultimately this will be a point that will be negotiated with the bank. The bank will consider a number of factors as they assess the overall risk of the loan and this will impact the repayment terms they are willing to give you.

## **How to Write A Loan Proposal**

Approval of a loan request depends on how well you present yourself, your business and your financial needs to a lender. 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, it's age, number of employees and current business assets.

\*Ownership structure - details on your company's legal structure.

### **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.

### **Management Profile**

\*Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

### **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.

## **Financial Assistance & Resource Centers**

### **Local Financial Institutes**

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**Bank of America** [www.bankofamerica.com](http://www.bankofamerica.com)

200 W. 7<sup>th</sup> Street  
Columbia, TN 38401  
(931) 388-5244

100 Saturn Parkway  
Spring Hill, TN 37174  
(931) 486-7762

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**Community First Bank & Trust** [www.cfbk.com](http://www.cfbk.com)

501 S. James Campbell Blvd.  
Columbia, TN 38401  
(931) 380-2265

Downtown Branch  
601 N Garden Street  
Columbia, TN 38401  
(931) 380-1145

WalMart Branch  
2200 Brookmeade Drive  
Columbia, TN 38401  
(931) 490-7975

105 Public Square  
Mt. Pleasant, TN 38474  
(931) 379-3113

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**Community South Bank** [www.communitysouth.com](http://www.communitysouth.com)

1909 Shady Brook Street  
Columbia, TN 38401  
(931) 388-1898

Spring Hill Branch for loans only  
5426 Main Street  
Spring Hill, TN 37174  
(931) 486-0970

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**Farm Credit Services** [www.e-farmcredit.com](http://www.e-farmcredit.com)

808 Nashville Highway  
Columbia, TN 38401  
(931) 388-2591

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**First Farmers & Merchants Bank** [www.fandmbank.com](http://www.fandmbank.com)

816 S. Garden Street  
Columbia, TN 38401  
(931) 388-3145

128 N. Main Street  
Mt. Pleasant, TN 38474  
(931) 379-3292

5398 Main Street  
Spring Hill, TN 37174  
(931) 486-2212

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**Heritage Bank & Trust** [www.heritagebankandtrust.com](http://www.heritagebankandtrust.com)

217 S. James Campbell Blvd.  
Columbia, TN 38401  
(931) 388-1970

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**Regions Bank** [www.regionsbank.com](http://www.regionsbank.com)

610 N. Garden Street  
Columbia, TN 38401  
(931) 388-0423

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**US Bank** [www.usbank.com](http://www.usbank.com)

901 W James Campbell Blvd.  
Columbia, TN 38401  
(931) 381-3970

4935 Columbia Pike  
Spring Hill, TN 37174  
(615) 302-4772

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## **Local Credit Unions**

**Ascend Federal Credit Union** [www.ascendfcu.org](http://www.ascendfcu.org)

981 W James Campbell Blvd.  
Columbia, TN 38401  
(931) 381-3196

**Family Advantage Credit Union** [www.myfafcu.org](http://www.myfafcu.org)

100 Stephen P. Yokich Parkway  
Spring Hill, TN 37174  
(931) 486-3125

**First Community Credit Union** [www.fccu.us](http://www.fccu.us)

5021 Trotwood Avenue, Suite B  
Columbia, TN 38401  
(931) 388-3689

## **LOCAL BUSINESS PERMITS/LICENSES/REQUIREMENTS**

### **Employer Identification Number (EIN)**

If you have one or more employees, or if you operate as a trust, estate, corporation, partnership, or similar non-individual organization, regardless of whether you will have any employees or not, you must obtain a FORM SS-4, APPLICATION FOR EMPLOYER IDENTIFICATION NUMBER, from the Internal Revenue Service; 901 Broad Street; Nashville, TN. Fill out the form then mail it to Internal Revenue Service; 3131 Democrat Road; Memphis, TN 37501 to get your Employer Identification Number Phone 1-800-342-8420. You may also apply online at [www.irs.gov/smallbiz](http://www.irs.gov/smallbiz)

## **Federal Unemployment Tax Act**

You are liable for this program if you have one or more persons employed during twenty different calendar weeks in a calendar year, or if you paid \$1,500 in taxable wages during any calendar quarter, you must obtain a TENNESSEE EMPLOYER IDENTIFICATION NUMBER from the Tennessee Department of Employment Security; Employer Status; 313 Cordell Hall Building; Nashville, TN 37219. Phone (615) 741-2486.

Local office – 502 N. Garden Street; Columbia, TN; Phone: (931) 380-2507

## **Business License**

The City of Columbia has adopted the State of Tennessee Business Act. This requires anyone planning to open a business within the city limits with a gross income of more than \$3,000 to obtain a City Business License. Applications can be picked up at the front counter of City Hall. Upon receipt of your completed application, we will collect a fee of \$20.00 and issue you a business license. Business licenses are renewed yearly, with a percentage of your gross receipts to be paid along with the renewal fee. The type of business you will be conducting determines renewal dates and percentage rates.

For any questions concerning your business license please contact Kim Dale, Business License Clerk, in the City Recorder's Office located at City Hall; 707 N. Main Street; Columbia, TN 38401. Telephone: (931) 388-5432.

Opening business in City of Mt. Pleasant – (931) 379-7717

Opening business in City of Spring Hill – (931) 486-2252

## **Other Types Of License and Permits**

Peddler's Permits - issued for door to door solicitation within the city limits

Transient Vendor Permits - issued for short-term usage

Taxi Driver Permits & Taxi Cab Permits - renewed yearly

Beer Permits - renewed yearly

Liquor License - renewed yearly

Alarm Permits - renewed yearly

Parade Permits - issued for any large gathering involving public streets and property in order to maintain traffic control.

## **County Business License/Tennessee Business Tax**

You need to obtain a county business license if you operate anywhere in Maury County, including within the cities. You obtain it from the County Clerk's office located in the Hunter-Matthew's Building in downtown Columbia. There is a minimum of \$20 required. The phone number is 381-3690. The county clerk will tell you if your type of business is subject to the Tennessee Business Tax - a tax on your gross receipts.

## **State Sales Tax**

Any person that sells, leases or rents tangible personal property or provides a taxable service in Tennessee is required to register for sales or use tax purposes, even though the product sold may be tax exempt. Persons that sell, on the average, less than \$400 per month and pay tax to their

suppliers do not need to register until their average monthly sales exceed that amount. Persons that do not sell tangible personal property or taxable services, but buy untaxed merchandise from out-of-state for use and consumption in Tennessee must register and pay the use tax directly to the Department of Revenue. Returns are due monthly, quarterly or annually dependent upon the filing status. You may obtain a no cost application form from The Tennessee Department of Revenue. Local office: The Tennessee Department of Revenue, Sales Tax Division; 2486 Park Place Drive. The telephone number is (931) 380-2523. State Office: Tennessee Department of Revenue; Andrew Jackson Building; Nashville, TN 37242. Telephone is 1-800-342-1003. When completed properly and received by the department, a registration number will be issued to qualified applicants.

## **The Fair Labor Standards Act (FLSA)**

Establishes minimum wage, overtime pay, record keeping, and child labor standards affecting full and part time workers.

Minimum wage rates are set by the U.S. Congress and are adjusted by statute periodically. As of July 2007, the three step increase is scheduled as follows:

- \$5.85 – Summer 2007
- \$6.55 – Summer 2008
- \$7.25 – Summer 2009

Overtime pay at a rate of not less than one and one and a half times their regular rates of pay are required after 40 hours of work in a workweek.

While FLSA does set basic minimum wage and overtime pay standards and regulates the employment of minors, there are a number of employment practices that FLSA does not regulate.

Neither the State of Tennessee nor FLSA requires:

- 1) vacation, holiday, severance or sick pay
- 2) holidays off or vacations
- 3) premium pay for weekend or holiday work
- 4) pay raises or fringe benefits

The above areas are at the discretion of the employer.

The U.S. Department of Labor has made available a New Business Package to the Fair Labor Standards Act, which all employers will find helpful. They also provide a Handy Reference Guide to the Fair Labor Standards Act for employers. Regulations implementing the FMLA are available as well.

Contact for assistance:

U.S. Department of Labor  
Wage and Hour Division  
1321 Murfreesboro Road, Suite 511  
Nashville, TN 37217  
Office: 615-781-5343  
Fax: 615-781-5347

Local contact assistance:

Tennessee Career Center  
Northway Shopping Center  
119 Nashville Highway, Suite 106  
Columbia, TN 38401  
Office: 931-380-2500 or 931-490-3790

## **Occupational Safety and Health**

The provisions of federal and state OSHA regulations cover all employers. Standards vary with the three broad classifications of businesses: agricultural, construction, general industry. Those firms with eleven or more employees must maintain records in accordance with OSHA rules.

Further assistance and information is available from:

Tennessee Department of Labor  
Occupational Safety and Health Division  
Gateway Plaza, 3<sup>rd</sup> Floor  
710 James Robertson Parkway  
Nashville, TN 37243  
Office: 615-741-2793

## **Services Provided to Employers**

- 1) Employers job orders and job seekers' applications are put in a network that gives local, state and national exposure.
- 2) A professional and technical resume service provides employers with resumes of applicants who meet their requirements for professional and technical positions.
- 3) Aptitude and proficiency test are available to help screen and select the best applicants for your job openings; based on the employers stated skill requirements. You should contact your nearest local Employment Security Office to determine if there are suitable test available for your needs.
- 4) Local labor market information is available at local Employment Security Labor Market Information Offices. Available information includes labor demand and supply, employment and unemployment rates and wage data, and occupational and industry projections.

Job Service is the largest employment agency in the country.

Employment Security Job Service Offices are located throughout Tennessee to provide free manpower services to both employers and workers.

As a covered employer interested in conserving the Unemployment Insurance Trust Fund, it is to your advantage to list all your job openings with the nearest Job Service Office. The prompt placement of unemployed qualified workers in jobs reduces the amount of benefits paid from the Unemployment Insurance Trust Fund and stimulates the economy of your community and state.

Further assistance and information is available from:

Employment Security Help Line: 800-344-8337  
Tennessee Department of Employment Security  
10<sup>th</sup> Floor, Davy Crockett Tower  
500 James Robertson Parkway  
Nashville, TN 37245

Local contact assistance:

Tennessee Career Center  
Northway Shopping Center  
119 Nashville Highway, Suite 106  
Columbia, TN 38401  
Office: 931-380-2500 or 931-490-3790

## **Federal Taxes**

The kind of business you are will determine which specific federal taxes apply to you and your business. The four general kinds of federal taxes include income tax, self-employment tax,

employment taxes and excise taxes. Every business must file an annual income tax return. Information on all federal taxes is through the Federal Internal Revenue Service (call 1-800-829-1040).

## **FICA Taxes**

If you have one or more employees, you must deduct the employee's part of Social Security taxes (FICA) from their wages, and report these deductions along with payment of your part of these same taxes, each quarter, on Form 941 and annually on Form 940. Deductions are determined by having each employee fill out a FORM W-4. You obtain both these forms from the Internal Revenue Service, 801 Broad Street, Nashville, TN. Phone 1-800-829-1040.

## **Employment Eligibility Verification (FORM I-9)**

**MANDATORY LAW - TENNESSEE NEW HIRE REPORTING PROGRAM.** Any employer doing business in the State of Tennessee who hires or rehires and employee on or after October 1, 1997 must report a Form I-9. The purpose of this is to outline the mandatory reporting requirements and provide feedback to Tennessee on the New Hire Reporting Program. Effective October 1, 1997, Federal and State law requires all employers doing business in the State of Tennessee to report all newly hired or rehired employees to the Tennessee New Hire Reporting Program. Prompt reporting of new hires improves child support collections and reduces public assistance costs. Website: [www.tnnewhire.com](http://www.tnnewhire.com) Telephone: 1-888-715-2280

## **Zoning Requirements**

Your business location has to be zoned for the proper category in order for you to operate. Although there is no actual permit required, it is suggested that you contact your City Hall or County Courthouse. Tell them the physical address and the type business you will operate. They will tell you if you have adequate zoning or if you need to file a change of zoning to fit your business. Most incorporated cities have zoning restrictions as well as some counties. In Columbia, check with the City Planning Office in City Hall at 388-1339. The cities of Mt. Pleasant contact City Hall (931) 379-7717. The City of Spring Hill contact City Hall (931) 486-2252. Anywhere in Maury County all require zonin

## **Building Permits & Adequate Facilities Tax**

If you perform any construction work on the outside or inside of the facility you occupy, you will have to obtain a building permit from either the County or the municipality in which you reside. There is a fee involved and there are inspections that have to take place during construction. Contact your city hall (931) 388-5432 or your county courthouse (931) 381-3690. If it is a new building or new addition, you will have to pay an adequate facilities tax on the new construction. No matter where you build in Maury County, you have to pay this fee and get a form before you obtain your building permit. This form is obtained from the building and zoning department in the Maury County Courthouse. A Development Guide, summarizing the procedures for developing new facilities in Maury County, is available at the office of the Maury Alliance.

## **Fire Inspection**

Every commercial office space in the city limits needs to have an inspection before it opens for business. The Fire Marshall will survey the building and either list discrepancies or will issue a compliance report. This is required whether or not there was any construction involved. There is no fee for the inspection. Contact your respective City Hall or the County Courthouse.

## **DIFFERENT TYPES OF BUSINESS INSURANCE**

Insurance is considered a cost of doing business and nearly all businesses need to carry some form of business insurance. Some forms of insurance, such as worker's compensation and unemployment insurance, may be required by the State of Tennessee. Other forms of insurance, like general liability and health insurance, are optional policies that protect your business's physical and human assets. Following is a description of the various types of insurance which can be obtained from a licensed insurance agent.

### **Worker's Compensation**

Required in every state except Texas, worker's compensation insurance pays for employees' medical expenses and missed wages if injured while working. In Tennessee, workers' compensation coverage is required for employers that employ five or more persons for pay (construction businesses have stricter requirements). Workers compensation is acquired through insurance agents who obtain the actual coverage through licensed insurance companies. Due to rating deregulation, rates and premium amounts will vary between insurance companies. If an employer is unable to obtain this coverage, they may submit an application to the Tennessee Worker's Compensation Insurance Plan to get workers compensation. You should visit [www.twcip.com](http://www.twcip.com) to find forms and more information about the Tennessee Worker's Compensation Insurance Plan.

### **Unemployment Insurance**

Unemployment insurance provides benefits to unemployed workers who have lost their jobs through no fault of their own. Most employers who have workers in Tennessee are liable to pay state unemployment insurance (SUTA) premiums. The Tennessee Department of Labor and Workforce Development, Employment Security division, administers the unemployment insurance program in Tennessee. You can register your business with the Department of Labor and Workforce Development online through the One Stop Business Resource found at: <http://www.tennesseeanytime.org/osbr/> or call the Dept. of Labor and Workforce Development at 1-800-344-8337 and select 1 (call 1-615-741-2346 if out of state).

### **General Liability Insurance**

Many business owners buy general liability or umbrella liability insurance to cover legal hassles due to claims of negligence. These help protect against payments as the result of bodily injury or

property damage, medical expenses, the cost of defending lawsuits, and settlement bonds or judgments required during an appeal procedure.

## **Product Liability**

Every product is capable of personal injury or property damage. Companies that manufacture, wholesale, distribute, and retail a product may be liable for its safety. Additionally, every service rendered may be capable of personal injury or property damage. Businesses are considered liable for negligence, breach of an express or implied warranty, defective products, and defective warnings or instructions.

## **Home-Based Business Insurance**

Contrary to popular belief, homeowners' insurance policies do not generally cover home-based business losses. Commonly needed insurance areas for home-based businesses include business property, professional liability, personal and advertising injury, loss of business data, crime and theft, and disability.

## **Internet Business Insurance**

Web-based businesses may wish to look into specialized insurance that covers liability for damage done by hackers and viruses. In addition, e-insurance often covers specialized online activities, including lawsuits resulting from meta tag abuse, banner advertising, or electronic copyright infringement.

## **Criminal Insurance**

No matter how tight security is in your workplace, theft and malicious damage are always possibilities. While the dangers associated with hacking, vandalism, and general theft are obvious; employee embezzlement is more common than most business owners think. Criminal insurance and employee bonds can provide protection against losses in most criminal areas.

## **Business Interruption Insurance**

Some businesses may wish to acquire insurance that covers losses during natural disasters, fires, and other catastrophes that may cause the operation to shut down for a significant amount of time.

## **Key Person Insurance**

In addition to a business continuation plan that outlines how the company will maintain operations if a key person dies, falls ill, or leaves, some companies may wish to buy key person insurance. This type of coverage is usually life insurance that names the corporation as a beneficiary if an essential person dies or is disabled.

## **Malpractice Insurance**

Some licensed professionals need protection against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, investigations and settlements, and bonds or judgments required during an appeal procedure.

## **Business Property Insurance**

Business property insurance protects your building and equipment investments and natural disasters such as tornados, floods and earthquakes. You may also want to get fire insurance policy included in your property insurance policy, especially if your building is physically attached to other businesses.

## Health Insurance

Assistance with health insurance is available for small business, individual employees, and the self-employed. Cover TN is an affordable basic health insurance program offered by the State of Tennessee. Cover TN is a relationship between the state, employers, and individuals that lowers health insurance cost by dividing them into three equal parts. Each party pays 1/3 of the established monthly premium. Visit [www.covertn.gov](http://www.covertn.gov) for more information.

## Bonding

Some small business, especially those performing contracting services will be asked to bond its work in advance. A bond is a financial guarantee that you will honor a business contract. In some states certain types of contractors are required to be bonded. A bond (sometimes referred to as a surety bond) is a third party obligation promising to pay if a vendor does not fulfill its valid obligations under a contract. There are various types of bonds: license, performance, bid and payment bonds. A performance bond is a guarantee that you will perform work in accordance with the terms of a contract. A bid bond is a guarantee you will perform work if the bid is won by you. An indemnity bond promises to reimburse loss incurred if you fail to perform or if you fail to pay other vendors in the performance of the contract. A license bond is required by some states for specific businesses. In some cases you pay the state directly rather than obtaining a bond. A payment bond promises you will pay all subcontractors and material providers utilized in the performance of a contract. Contact your insurance agent to obtain a bond and/or ask the SBA about their bond surety program.

## BUSINESS REGULATIONS

Different types of business activities are regulated at the state and federal level These regulations deal with licensing of certain jobs as well as protecting the public welfare in such areas as business practices, standard weights and measures and pollution control Following is a list of regulated areas and agencies.

## AGRICULTURAL CHEMICALS, PLANTS

Registration of pesticide dealers, certifies restricted use of pesticides; pest control firms; certifies and inspects all greenhouses and nursery stock as well as plants grown for commercial sale.	TN Dept of Agriculture Pesticides Ellington Agricultural Center PO Box 40627 Nashville, TN 37204 Office: 615-837-5133
Manufacture or advertising of drags, cosmetics, medical devices	U.S. Food & Drug Administration 297 Plus Park Blvd. Nashville, TN 37217-1003
International sale or purchase of Plants; sale or purchase pi plants From quarantine inspection areas; DNA research on paint material	TN Dept; of Agriculture Plant Certification Division Ellington Agricultural Center PO Box 40627 Nashville, TN 37204 Office: 615-837-5150
International sale or purchase of meat products; animal cellular material	U.S. Dept. of Agriculture Veterinary Services P.O. Box 110950 Nashville, TN 37222 Office: (615) 781-5310

## FOOD PRODUCTION

Foods manufactured, distributed, or Offered for sale outside of restaurants. Inspection of food manufacturers. Warehouse and distributors. Bottled water regulations or food labeling.	TN Dept of Agriculture Regulatory Services Division P.O. Box 40627 Melrose Station Nashville, TN 37204-0627 Office: (615) 837-5155
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For more information ask for "Getting Started in the Food Manufacturing Business" Publication PB1399 from the county office of The University of Tennessee Agricultural Extension Service.

## RETAIL FOOD SALES and FOOD SERVICE

Retail food establishments such as Restaurants, hotels, motels, and day care center kitchens	State inspector through the local county Health Department.
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## ALCOHOLIC BEVERAGES

Sale of alcoholic beverages by Manufacturers, wholesalers, retail Stores, liquor by the drink Establishments, including Restaurants.	TN Alcoholic Beverage Commission Administrative Services 226 Capitol Blvd Bldg., 3 <sup>rd</sup> Floor Nashville, TN 37219 615-741-1602
Sales of packaged or keg beer, beer for consumption on premises.	Contact Local City or County Government

## BUILDING CONSTRUCTION

Building Codes, materials and standards; zoning	Maury County Building & Zoning Walter Harlan Building 5 Public Square Columbia, TN 38401 Office: 931-375-3001
Boilers and unfired pressure vessels Design, construction, installation and operation Elevators, escalators (safety codes, construction, maintenance, inspection)	Tennessee Dept of Labor Boiler and Elevator Inspection & Licensing 501 Union Building Nashville, TN 37243 Office: 615-741-2123

## FIRE SAFETY

For review of plans for buildings of three stories or more, high hazard industrial occupancies, two story residential units of twelve or more apartments.	TN Dept of Commerce Division of Fire Prevention 500 James Robertson Pkwy. Nashville, TN 37243-1162 Office:(615) 741-7190
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## CHILD CARE

Facilities with 5 or more children.	Tennessee Dept. of Human Services Maury County Office 1400 College Park Drive Columbia, TN 38401 Office: 931-380-2552
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## ENVIRONMENTAL REGULATIONS HAZARDOUS WASTE

The Tennessee Department of Environment and Conservation, through its Bureau of Environment ' administers the implementation and enforcement of state and federal laws to protect public health and the environment. The Bureau's various divisions found below takes these actions.

The use and possession of radioactive materials and machines (x-ray). Includes licensing of operators.	Division of Radiological Health L & C Annex, 3 <sup>rd</sup> Floor 401 Church Street Nashville, TN 37243-1532 Office: 615-532-0364
Processing and disposal of solid Waste. Generation, storage, transportation, treatment or disposal	Division of Solid & Hazardous Waste L & C Tower, 5 <sup>th</sup> Floor 401 Church Street Nashville, TN 37243 Office: 615-532-0780
Registration of all underground petroleum storage tanks.	Division of Underground Storage Tanks 4th Floor, L & C Tower Nashville, TN 37243-1541 Office: 615-532-0945
Discharge of industrial wastewater, surface mining of non-coal minerals, coal mining, gravel and stream bank dredging, administers Federal Wetlands Act	Division of Water Pollution Control 6 <sup>th</sup> Floor, L & C Tower Nashville, TN 37243-1534 Office:
Discharge into the air of particulates or gaseous emissions such as paints, solvents burn operations.	Division of Air Pollution Control L & C Annex, 9 <sup>th</sup> Floor 401 Church Street Nashville, TN 37243 Office: 615-532-0554
Subsurface sewage disposal, in include all septic tank treatment for sewage only (excludes toxic or hazardous waste)	Division of Ground Water Protection L & C Tower, 10 <sup>th</sup> Floor Nashville, TN 37243 Office: 615-532-0762

## FIREARMS

Sale of firearms (All handguns require a Pistol Permit)	TN Dept. of Revenue Taxpayer Services Andrew Jackson Building, 3 <sup>rd</sup> Floor Nashville, TN 37242 Office: 615-741-3580
Vendors of handguns, rifles, shotguns (black powder guns exempt) are required to obtain a Federal Firearms Dealer License.	Dept of the Treasury, Bureau of Alcohol, Tobacco and Firearms P.O. Box 845219 Dallas, TX 75284-5219 Office: 615 781-5563 (Nashville Local)
Sale of ammunition requires a TWRA Tax Stamp	TN Wildlife Resources Agency License Division PO Box 41729 Nashville, TN 37204 Office: 615-781-6586

## INSURANCE

Licenses Insurance Agents	TN Dept of Commerce and Insurance Agents Licensing Division 500 James Robertson Parkway, 4 <sup>th</sup> Floor Nashville, TN 37243 Office: 615-741-2693
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## STOCKS and BONDS (ISSUING)

Firm wishing to issue stock in TN must satisfy certain requirements.	Dept. of Commerce and Insurance Securities Division 500 James Robertson Parkway, Suite 680 Nashville, TN 37243 Office: 615-741-5911
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## TRANSPORTATION SERVICES

Motor carriers operating vehicles over 10,001 pounds, GVWR, and all hazardous waste haulers, single state registration.	TN Dept. of Safety Commercial Vehicle Enforcement 1150 Foster Avenue Nashville, TN 37249 Office: 615-251-5197
Commercial Drivers License	TN Dept of Safety Commercial Vehicle Enforcement 1710 Hampshire Pike Columbia, TN 38401 931-380-3398

## ORGANIZATIONS OF HELP FOR SMALL BUSINESS

### **Business Enterprise Resource Office (BERO)**

Housed in the Tennessee Department of Economic and Community Development, the Business Enterprise Resource Office is the state's primary service organization to Tennessee's entrepreneurs, small businesses, minority- and women owned businesses. Created in 1977, BERO expands economic opportunities for small, rural, minority, and women owned businesses by providing information on entrepreneurship development programs, procurement opportunities and access to capital with Tennessee private industry and government entities. BERO provides one-on-one technical assistance to entrepreneurs and small businesses through Regional Enterprise Specialists. BERO has offices in Memphis, Nashville, Chattanooga and Knoxville. For assistance, call 1-800-872-7201 to contact the specialist in your region. BERO also hosts Tennessee Business Matchmaking conferences that provide one-on-one business appointments between small business owners and procurement agents from large corporations and the government. Since its 3,277 one-on-one business appointments have been held between 904 small businesses and 286 procurement officials. BERO provides a variety of small business information, including the Tennessee Small Business Resource Directory. □e Tennessee Small Business Resource Directory is a free, valuable tool for Tennessee entrepreneurs, small businesses, chambers of commerce, and other small business support organizations. □e directory provides resources for starting, financing and managing a business, as well as business opportunities, exporting, and micro-enterprise for each county in Tennessee. Visit <http://www.tnecd.gov/bero>.

### **Business Owners with Disabilities**

The Tennessee Department of Human Services Vocational Rehabilitation (VR) is a federal and state-funded program providing services to help individuals with disabilities enter or return to employment. Individuals who qualify for their services can participate in their Self-Employment

Program. Individuals approved for the program must create and present a business plan to a panel of advisors. Approved individuals can receive a \$5,000 grant for the business; 50/50 match funds may be available up to \$10,000. To learn more about the Self-Employment program, contact your regional Vocational Rehabilitation or call (615) 313-4898. The website for Vocational Rehabilitation is [www.state.tn.us/humanserv](http://www.state.tn.us/humanserv)

**Maury Alliance** (Maury County Chamber of Commerce and Economic Development Organization) Works one on one with people to provide demographics and information on local area. Also, provides business support and business-to-business networking to its members. Location: 106 West 6th Street - Columbia, TN 38401. Telephone:(931) 388-2155 Fax:(931) 380-0335 Website: [www.mauryalliance.com](http://www.mauryalliance.com)

### **Tennessee Small Business Development Center**

The Small Business Development Centers sponsor seminars and offer free counseling to small business owners and persons interested in starting their own business. Contact the TSBDC counselor (Eugene Osekowsky, Sr., Small Business Specialist) for confidential meetings at (615) 890-7700.

### **SCORE**

SCORE "Counselors to America's Small Business" is a non-profit association dedicated to educating entrepreneurs and the formation, growth and success of small business nationwide. SCORE is a resource partner with the U.S. Small Business Administration (SBA). SCORE employs volunteers that are working or retired business owners, executives, and corporate leaders who share their wisdom and lessons learned in business. At the time of the publication, active Tennessee SCORE chapters can be found in Bristol, Chattanooga, Crossville, Johnson City, Nashville and Memphis.

### **Small Business Administration (SBA) District Office**

The U.S Small Business Administration (SBA) administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. SBA help is free. In addition to help with various loan programs, the SBA provides technical and management assistance in the areas of exporting, surety bonds, and selling to the government. Your local SBA office is located at 50 Vantage Way, Suite 201, Nashville, TN 37228. For more information call (615) 736-5881. Check with area banks to see who works with SBA or small business loans for startups or small business expansion. Complete information available at [www.sba.gov](http://www.sba.gov).

### **SBA/Bank of America Small Business Resource Center**

The SBA/Bank of America Business Resource Center offers small business free information and assistance on a variety of subjects that will help to make small businesses successful. The Business Resource Center is open Monday – Friday from 9am to 4pm. For more information call 615-749-4088.

### **Nashville Minority Business Center**

This center provides management, marketing and technical assistance to increase business opportunities for minority entrepreneurs. Each center provides accounting, administration, business planning, construction and marketing information to minority firms. The center also identifies minority firms for contract and subcontract opportunities with government agencies and the private sector. For additional information, contact: Nashville Minority Business Center, 14 Academy Place, Suite 420, Nashville, TN 37210-2026, Phone: 615-255-0432

## **Office of Minority Business Enterprise**

The OMBE coordinates disadvantaged business development activities for any business facing disadvantages entering the economic mainstream. The reasons for the disadvantage could be race, religion, ethnic background, gender, disability or service in the armed forces during the Vietnam War. The OMBE helps its clients with education, training procurement opportunities, technical assistance and access to capital. It provides greater access to data concerning existing and emerging business trends and market conditions.

William R. Snodgrass TN Tower, 312 8th Ave. North, 11th Floor, Nashville, TN 37243-0405, Phone: 615-741-2545, Fax: 615-532-8715.

## **Tennessee Minority Purchasing Council**

Purchasing councils are a recognized way to encourage mutually beneficial economic links between ethnic minority suppliers and major purchasers in the public and private sectors. For additional information, contact: Tennessee Minority Supplier Development Council; Metro Center, Plaza 1 Bldg.; 220 Athens Way, Suite 105; Nashville, TN 37228-1300; Phone: 615-259-4699

## **Small Business Investment Companies (SBIC)**

SBIC's are private investment and loan companies established to serve the small business market. They are funded with a combination of private and federal investment. Visit [www.sba.gov/tn](http://www.sba.gov/tn) to find more information about local SBICs.

## **Small Business Office, Tennessee Department of Economic & Community Development**

This agency monitors legislation affecting small business and coordinates activities among state, federal and local agencies that provide services to small businesses. A small-business information book is available through this agency. Dave Weber, Small Business Development Consultant. Rachel Jackson Building, Seventh Floor, 320 Sixth Avenue North, Nashville, TN 37243-0405, (615) 741-2626.

## **Small Business Online Training Network**

The Small Business Training Network (SBTN) is the SBA's online interactive training tool. This tool offers a wide variety of free online courses, a library, web chats and access to SBA business counselors.

## **Southeast Community Capital (SCC)**

a Community Development Financial Institution (CDFI), as certified by the CDFI Fund, a division of the U.S. Treasury Department, provides loans to disadvantaged small businesses lacking access to traditional financing options in low-income areas throughout Tennessee and northern Alabama. SCC is the only statewide CDFI. SCC manages multiple loan funds targeting urban and rural areas of the state including the Tennessee Rural Opportunity Fund.

## **Tennessee Manufacturing Extension Program**

The Tennessee Manufacturing Extension Program (TMEP) helps Tennessee's manufacturers become more productive, more profitable, and more competitive. TMEP assist businesses with new production techniques, business practices, expanding markets, complying with regulations, and a host of other areas. TMEP is a branch of the University of Tennessee Center for Industrial Services (UT-CIS).

## **Women's Resource Center (WRC)**

WRC is your "one-stop" resource for training, counseling and technical assistance for start-up and existing women business owners. The resource center's training series assists entrepreneurs with all phases of business ownership, from idea to successful growth. The WRC provides interactive learning experiences and offers several opportunities for women business owners to grow and promote their companies. For additional information, contact: The Women's Resource Center; 1112 8th Avenue South; Nashville, TN 37203; Phone: 615-248-3474; Fax: 615-256-2706

### **U. S. Department of Commerce**

This federal agency offers a unique global network of export trade Commercial Counselors with a Congressional mandate to assist infrequent exporters in expanding foreign sales. Its special emphasis is with small-to-medium firms experienced in exporting. For more information contact: U.S. Department of Commerce; International Trade Administration; Parkway Towers, Suite 114; 404 James Robertson Parkway; Nashville, TN 37219; Phone: 615-736-5161.

### **South Central Tennessee Development District**

Development districts are regional planning and economic organizations owned and operated by the cities and counties of Tennessee. Each district operates a business and industry loan program and can provide small business loans, typically focusing on businesses that create jobs within its district. The nine development districts include: Northwest Tennessee, Greater Nashville Region, Upper Cumberland, First Tennessee, East Tennessee, Southeast Tennessee, South Central Tennessee, Southwest Tennessee, and Memphis Area Development District. For more information contact them at: 931-381-2040 or at 815 South Main Street, Columbia, TN 38401. Ask for Doug Williams.

### **Tennessee Career Center**

The South Central Career Center offers help in assessing individual job skills and creating a successful business plan. They also provide workshops that assist clients in starting their own business.

Catherine Haire with the Women's Resource Center facilitates a couple workshops each month:

- The Essential Elements of a Business Plan on the second (2nd) Wednesday of each month from 9:00 a.m to 1:00 p.m.
- Financing Your New Business on the fourth (4th) Tuesday of each month from 9:00 to 11:00 a.m.

Also, Gene Osekowsky with TN Small Business office facilitates Starting and Financing Your Own Business once a month. The South Central Career Center is located at 119 Nashville Hwy.; Columbia, TN 38401. Telephone: (931) 490-3800 Website: [www.sctcareercenter.com](http://www.sctcareercenter.com)

### **Federal Trade Commission**

Contact on the Internet for an excellent 12-page guide on franchises called "A Consumer Guide to Buying a Franchise" Download at the FTC's web site at [www.ftc.gov](http://www.ftc.gov)

### **INVENTORS**

The first step for applying for a patent is to conduct a patent search online at the United States Patent and Trademark Office (USPTO) to see if any current patents that match your idea. Once you have searched for existing patents, you can then start the process of applying for a patent with the USPTO. The type of patent you apply for depends on your product. The most common patent field is the non-provisional utility patent, according to the USPTO.

An important note is that the "poor man's patent" will not protect your invention. His idea that by writing a description of your invention and mailing it to yourself or someone else by mail or certified mail will protect your invention is not true and may hurt your later patent rights.

You can build the prototype before or after receiving your patent from the USPTO. The prototype is a working model of the product that you intend to bring to market. It is often used to obtain financing for the mass production of the product. You will also need a business plan to obtain financing from banks and other lenders. You want to highlight how the product will be manufactured and your marketing plan for the product.

The Inventors Assistance Center (IAC) within the USPTO provides patent information and services to the public. The IAC can answer general patent examination questions, direct calls to appropriate USPTO personnel, assist you with forms, and provide general information concerning rules, procedures, and fees. The IAC is online at [www.uspto.gov](http://www.uspto.gov) or call 1-800-786-9199.

The Tennessee Inventors Association (TIA) is an organization of inventors. The TIA has members all across Tennessee and as far away as Ohio and Virginia. The TIA is a great resource for inventors, innovators, and entrepreneurs. The TIA provides seminars, information, and guidance to those involved in innovation. The TIA has produced an inventor's guide that provides step-by-step instruction on how to take your idea to a functioning product. The guide includes information about establishing a date of originality, patent protection, licensing, prototypes, and the inventor's log. This guide is free to all members of the TIA. You can join the TIA by visiting their website at [www.tninventors.org](http://www.tninventors.org).

## **PATENTS, COPYRIGHTS, AND TRADEMARKS**

A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office. According to the United States Patent and Trademark Office, there are three types of non-provisional patents. The three types of patents are utility, design, and plant patents. A utility patent is granted to anyone who invents or discovers a new and useful process, machine, article of manufacture, or composition of matter, or an improvement of the before mentioned. Design patents may be granted to anyone who invents an original and decorative design for an article of manufacture. Plant patents are granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant. There are two types of utility and plant patents, which are the provisional and non-provisional patent. The provisional patent was designed to provide a lower-cost first patent filing in the United States. The provisional patent is granted for a term of 12 months with no official patent claim, oath or declaration, or any information disclosure statement. The non-provisional patent is a complex legal document, best prepared by a patent lawyer or someone trained to do so.

As stated by the Library of Congress' Copyright Office ([www.copyright.gov](http://www.copyright.gov)), "A Copyright is a form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished." A copyright is the protection of the creative expression of an idea not the idea. You can copyright the actual steps or methods of creating an object but not a list of items used to create the object.

You may wish to protect your company name and/or service mark in the State of Tennessee by obtaining a state trademark. As a business owner, you can obtain a state trademark, which will protect your business name and/or service mark within Tennessee for 5 years. You may also wish to protect your company name and/or symbol in the U.S. by obtaining a federal trademark. As a business owner, you can obtain a federal trademark, which will protect your business name and/or symbol within the United States for 10 years.

You may want a combination of copyright, patent, and trademark protection for your work. More detailed information on patents, copyrights, and trademarks can be found online at [www.uspto.gov](http://www.uspto.gov). You should consult an attorney to determine which form(s) of intellectual property protection best corresponds to your individual situation.