

SESSION 1: REGULATORY ISSUES AFFECTING NEW BUSINESSES

What regulations do startup business owners need to be aware of to avoid noncompliance? Where do they go to find the information and resources they need? It may depend on the type of business venture (franchise, service, e-commerce, manufacturing), where it is located (retail store, home office, online) and the legal structure of the company (sole proprietorship, partnership, corporation, LLC).

In this activity, participants will work in teams to use their collective knowledge and experience to identify the regulatory issues and key questions that affect business owners starting a new business. Each team will work on a specific business (export, manufacturer, inventor, food vendor, franchise, retail store) record the 'key issues' that will determine what regulations will affect the business. Team members will report on their answers and we will discuss various resources that will be helpful in addressing the issues.

Handouts:

- Entrepreneur's Tools and Resources (Excel spreadsheet)

SESSION 2: EVALUATING BUSINESS CONTRACTS

This session will define a business contract, review the legal requirements for binding contracts and discuss 10 important issues that counselors must be aware of when reviewing transactions and agreements. Participants will understand the difference between counseling and giving legal advice.

SESSION 3: LEGAL ASPECTS OF ESTABLISHING A BUSINESS

This session will cover various legal issues confronting small business owners. Working in teams, participants will use the lists generated earlier to identify the legal issues and risks facing hypothetical business owners. We will use examples of home-based, retail, food processing, agro-tourism and other operations. Each team will report on their results. We will discuss the issues and where to find help. A checklist will be provided.

- Checklist of Requirements of Nearly All New Businesses
- Choosing the Legal Structure for Your Business

Case #1

Bob plans to open a retail craft store in downtown Asheboro. His business will operate as a sole proprietorship. He will have 1 full-time employee and 3 part-time workers who will work 30 hours a week and be paid as independent contractors. The building he will lease needs repairs to the roof and floor and an updated bathroom and handicap ramp. His crafts include jewelry, figurines, artwork and knickknacks. He would also like to sell homemade candles, soaps, body oils and candies. He plans to offer shelf space to area crafters.

Case #2

Cynthia and Ernest have inherited twenty acres of farmland in Asheboro. They want to make it a tourist attraction. They plan to use an old barn to recreate a 16th century farmhouse and sell antiques and other souvenirs. On the property will be a petting zoo, a horseback riding stable, a camping site, a corn maze and a fish pond. They will offer hay rides, pick-your-own-fruits and breakfast and lunch at a small restaurant.

Case #3

Bonnie owns a 10-acre farm in Ramseur and want to diversify into food production. Her husband makes the most delicious carrot cakes. They want to sell their cakes to gourmet shops and healthfood restaurants and possibly by mail order and over the Internet. They will need to hire 5 full-time employees to package and ship the product. They have found a commercial oven and plan to work from their home kitchen. Bonnie's parents plan to invest in the business but will not be involved in the daily operations.

Case #4

Ken has created a new product which will, he says, make it easier to weed gardens. He has shown his design to several area hardware store owners who agree that it is a useful tool. He wants to start a business producing these gadgets in his garage. He plans to hire several unemployed minorities who live in nearby. His 12 and 15 year-old sons will help him after school and on weekends.

Case #5

Daniel wants to sell produce from his farm at a roadside stand just inside city limits. He receives income from Black and migrant tenant farmers who lease 5-acre parcels of adjoining land. Some of these farmers also help him harvest his produce and are paid according to weight. He also has developed a cream for dry skin using plants from his greenhouse that he want to put on grocery shelves.

SESSION 4: DEVELOPING AND USING CASH FLOW PROJECTIONS

This session will involve participants in using a cash flow spreadsheet to prepare monthly cash flow projections for a hypothetical business - Daniel's Produce - which has evolved into a retail operation. Participants will learn to build a cash flow statement that determines how much Daniel needs to borrow or receive as equity to operate. If time permits, participants will work on 'What If?' scenarios. Calculators will be necessary for this activity.

Handouts:

- Participant Instructions
- Cash flow form
- Answer sheets

INSTRUCTIONS

Daniel has been wildly successful with his roadside stand business. He now decides to open a store selling fresh fruits, vegetables and plants. Using the blank cash flow form, prepare a monthly cash flow projection for the first year (April – March) for Daniel’s Produce using the following expenses:

1. He needs a cash register (\$400), baskets and trays (\$95) and wood to build shelves and stands (\$100).
2. He needs six display tables (\$100 each) and 4 display racks (\$75 each).
3. His nephew will build his sign at cost \$325)
4. Daniel needs \$150 to set up his office and bookkeeping system and \$15/month to maintain his office supplies.
5. The storefront location where he plans to open his business rents for \$400/month. It needs paint (\$100) and new carpet (\$300). He will do the work himself.
6. He must buy a vendor’s license (\$50, payable yearly) and a town business permit (a one-time fee of \$10).
7. Telephone service is \$30/month, plus a \$100 deposit. Daniel expects to make an average of \$15/month in long distance calls to suppliers and vendors.
8. The electric company requires a deposit of \$75 to turn on the electricity. Past records show electricity (a/cm, heating and lights) averaged \$75/month.
9. He plans to open for business on April 1 and wants to hold a grand opening in mid-April, including refreshments (\$100 is what a local caterer quoted) and entertainment (his cousin’s ragtime band will come from Burlington to play for \$150). He plans to give away 250 miniature plants (\$1 each) at the grand opening.
10. He’s determined that the store will need a total of 2 full-time salespeople (180 hours/month each), who will be paid \$6/hour. There will be no other paid employees. The employer portion of social security tax is 7.65% that he will pay monthly into a trust account. He’s learned that his unemployment compensation payment (2.35% of gross payroll) can be made monthly.
11. He’s talked to an insurance agent who quoted \$300 for a yearly liability, fire and theft policy, paid up front every year.
12. Daniel plans a full-page newspaper ad (\$150) and 50 radio spots (\$10 each) in the first month of business, and four 1/8 page newspaper ads (\$35 each) in each following month to advertise sales and specials.
13. One of the services he plans to offer is free delivery of specially ordered produce and plants. He anticipates this will entail driving 200 miles per month, reimbursed at \$.25/mile.
14. Daniel expects to need \$25/month for miscellaneous expenses.
15. Daniel has researched other stores and anticipates the average sale per customer will be \$20. The cost of produce sold will average 40% of the sales price and he plans to replenish any inventory sold by the end of each month. He expects to buy \$5,000 of inventory up front.
16. His estimate of the number of customers per month is as follows:

April	150	July	250	Oct.	300	Jan	250
May	200	Aug	300	Nov.	200	Feb	300
June	150	Sept	350	Dec.	200	Mar	350
17. After filling in the cash flow sheet, can you determine how much Daniel’s Produce would need to receive as equity to meet all its expenses and avoid running out of cash in the first six months?
18. If Daniel’s investors are only able to invest \$2,000, how much would the business need to borrow to have enough cash to meet its expenses? The loan would be repaid in 3 years at an interest rate of 10%.

Is this business feasible? Would you buy shares of Daniel’s stock? If you were a loan officer at the local bank, would you lend the business the money it projects it needs? What additional information would you need to make your decision?