

COMMUNITIES Unlimited

Entrepreneur's
Possibility Workbook



IGNITE
Monticello

Introduction

If you are reading this, you have a business idea. This workbook was designed to help you make a first “go-ahead” or “re-think” decision regarding your business idea. It will help you put your business idea on paper and answer 2 questions:

1. What resources will I need to start up, and how will I be able to acquire them?
2. How much will it cost me to operate, and what will it take to cover these costs?

To do this you will need to work through the following 4 sections:

1. Business Idea Outline (page 2)
2. Initial Investment and Sources of Funding
3. Fixed Cost
4. Breakeven Analysis

If you have different business ideas you want to evaluate, we encourage you to fill out one workbook for each.

1. Business Idea Outline

In this section, you will outline your business idea. This outline should serve as a framework for the following sections. It should provide a “living” narrative of your business. This means that as you work through the booklet, you may feel that there are things in this section that need to be updated or revised. We encourage you to make these changes as you go. You may want to print out a blank version of this page every time you plan to make a significant change to your narrative. This way, you will be able to keep a version control of how the business idea develops.

Why do you think it's a good idea to start this business?

What business are you thinking of starting? Describe your business concept.

How will your business work? Describe the general flow of business.

Why do you think your business will be successful?

Who is your target customer?

What prior experience do you have that helps prepare you for business ownership?

Where do you plan to locate the business? Why do you think this is the best location?

When do you plan to start operations?

2. Initial Investment and Sources of Funding

Do you know how much money you need to startup? In this section, you will take a detailed look at what you need to have in place in order to start and, how much it will cost you. Once you have an idea of how much you need. You will think through where this money can come from.

2.1. Investment Needs

This section will help you think through the resources you will need to have in place before you open your business.

The lists contained below should serve as a guideline. Skip anything that you feel does not apply to your business. If you see something that we missed, add it. We encourage you to make detailed lists on separate pieces of paper, if needed.

Will you need to purchase any properties? Will these properties require permanent changes made to them such as construction or remodeling? This is where you want to budget for such projects.

Land and Building	Amount
Purchase	
Construction	
Remodeling	
Other:	
Other:	
Other:	
1. Land and Building Total	

Are you renting property? **Leasehold Improvements** are any permanent renovations or enhancements that you plan to make to a property you are leasing. They involve additions that you will be unable to take with you when you leave such as partitioning a space (for example, to put in dressing rooms), installing retail shelves, installing specialized lighting, etc.

Leasehold Improvements	Amount
Item 1:	
Item 2:	
Item 3:	
Item 4:	
2. Leasehold Improvements Total	

Furniture and fixtures differ from Leasehold Improvements in that they are considered personal property. These are additions to a space that you will be able to take with you when you leave such as desks and tables, chairs, bookcases or partitions, amongst other.

Furniture and Fixtures	Amount
Furniture	
Décor	
Fixtures	
3. Furniture and Fixtures Total	

If your business involves a production process, you will probably need specialized equipment to help make your product. It is otherwise likely that your budget under equipment will include computers, printers and other hardware.

Equipment	Amount
Machinery	
Computers	
Printers	
Other:	
Other:	
Other:	
4. Equipment Total	

What type of promotion are you planning to do before you open your doors? What promotional material do you plan to get made? Will you have a logo designed? Are you going to get a sign made? Business cards, posters or flyers? Do you plan to hold a soft opening? These are all items or activities you should budget for here.

Advertising and Promotion Expenses	Amount
Signage	
Printing	
Travel/entertainment	
Webpage (Eg: Design and Domain)	
Other:	
Other:	
Other:	
5. Advertising and Promotion Total	

What type of inventory will you need to stock up on before you open your doors? Will you need Food? Merchandise? Parts? Estimate how much you need to satisfy your initial demand, and make yourself a budget.

Opening Inventory	Amount
Category 1:	
Category 2:	
Category 3:	
Category 4:	
Category 5:	
Category 6:	
6. Opening Inventory Total	

There will be many other expenses to tackle before you open your doors. Rent, utility and other deposits, business license and incorporation fees, office and other supplies, tools, legal and accounting fees, all make part of this list. If you are leasing a location, you might need to pay one or more months of rent before you open. Take all of this into consideration and budget for them here.

Other Expenses	Amount
Rent Deposit	
Pre-opening rent expense (Number of months: _____)	
Utility deposits	
Pre-opening utility expense (Number of months: _____)	
Legal fees	
Accounting fees	
Prepaid insurance	
Pre-opening salaries (Number of months: _____)	
Business licenses and permits	
Office supplies	
Other supplies	
Tools	
Other:	
Other:	
Other:	
7. Total General and Administrative Expenses	

Now add up the totals off all your lists and put the sum below.

TOTAL Startup Expenses	Amount
8. Total Initial Investment Required (Add totals 1-7)	

2.2. Funding Sources

Now that you know how much you are going to need to set up your business (Total Line 8). You can think about where this money is going to come from.

Personal Resources

You will want to start by looking at resources you have available. You might have savings that you have been accumulating for an occasion such as this. You may have some other **assets** you can sell for cash to fund your business.

How much money will you have available to contribute towards the Total Initial Investment Required (Total Line 8)?

	Value
9. Owner's investment capacity	

Other Funding

After considering the funds you will be able to contribute, how much more funding will you need to startup?

	Value
10. Funds required? (Total Line 8 – Total Line 9)	

Where do you plan to look for these funds?

You have several options when it comes to obtaining funding for your business. You can choose to look into a single source of funding (for example a loan) or you can choose a combination of sources that is right for you (for example, friends or family will be able to contribute a portion of the funds required and you can start a crowd-sourcing campaign for the rest or you can pursue a bank loan).

Family and friends

Borrowing from friends and family can be a quick and easy source of funding. However, having a well thought out plan, a clear and explicit understanding of expectations, requirements, and maintaining clear and constant communication will be key to happy relationships.

If you are going to borrow or receive an investment from family and friends:

How much will you be asking for and from whom?

When do they need to get their money back?

How will you arrange to pay them back?

Lender	Amount	Terms

Crowdfunding

Platforms like Kiva Zip and Kickstarter allow businesses to pool small contributions from a number of small investors. The terms on these investments vary. Some allow companies to receive investment in return for prizes or products. Some are structured as **debt** where businesses are required to slowly pay back the amount they receive. Others are structured as **equity** by which the investor(s) gain access to a portion of the company.

Crowd-funding will require significant work in social media marketing. You will need to tell your story, and justify your venture in order to build a solid network of supporters.

Before choosing a platform make sure to read in detail about the terms, fees and requirements. This will affect the amount of money you are entitled to receive, when you receive it, and how much it will cost you to have access to it.

If you are considering crowdfunding:

What platform(s) are you considering?

How much will you be asking for?

What are the terms under which you can receive the funds?

What are you required to offer as a return?

Platform	Amount	Terms

Loan

Pursuing a loan from a traditional financial institution or a micro-lender, such as Communities Unlimited, is also a way to fund your business. Financial institutions will take a look at your personal credit history and your **global cash flow** to make a lending decision. Micro-lending institutions will make smaller loans than traditional banks.

If you are considering a loan, shop around. Understand what different institutions are willing to offer you.

If you are going to apply for a loan:

What financial institution will you pursue a loan from?

How much are you looking to borrow?

What terms does the financial institution offer you (length of loan and interest rate)?

Institution	Amount	Terms

Credit Cards

Credit cards are one of the most readily available ways to finance a business. Minimum monthly payments are low and manageable. However, credit card interest rates are elevated, making them a very costly source of funding. If not strictly managed, credit cards can become burdensome to your credit and your business **debt service** in general.

If you are going to use credit cards to finance your business:

How much of your Initial Investment Required would you finance with credit cards?

How much is your credit card interest rate?

How much time will it take you to pay off?

Amount	Interest Rate	Time (months)

Investors

Investors are people that are looking to give a business money in exchange for a return in a set period of time. Often times, this return involves acquiring a **stake** in the company. Investors will look for a solid business plan with good growth potential and agreements with them will contain rigorous terms. On the flip side, they can often bring expertise and connections that can be extremely advantageous to their investee.

If you plan to seek funding from Investors consider the following:

How much will you be asking for and from whom?

From who will you be seeking funding?

What will they want in return?

When will they need their money back?

How are they expected to be paid back?

Are they interested in equity? If so, how much and under what conditions?

When do you expect to know whether they will fund you or not?

Investor	Amount	Terms

2.3. Summary

Investment Required

	Amount
Total Startup Expenses (Line 8, Section 2.1.)	

Funding Summary

Go back through Section 2.2. and use the table below to summarize your sources of funding:

Source	Amount to be Funded <small>Note 1</small>	Term (months) <small>Note 2</small>	Interest Rate or Rate of Return <small>Note 3</small>	Payment <small>Note 4</small>

Note 1: The amount you plan to borrow or receive from the funding source.

Note 2: This is the amount of time you have to pay back funds you borrowed or receive. Please express this in number of months.

Note 3: Interest or Rate of Return is the annual percentage which you will be charged by the source.

Note 4: Use an online payment calculator such as:

<http://www.bankrate.com/calculators/mortgages/loan-calculator.aspx> to get a quick estimation of what your monthly payments for each source of financing will be.

3. Fixed Costs

Fixed costs represent all day to day expenses that result from the operation of your business. They include items such as rent, loan payments, insurance, etc.

The objective of this section is to help you put together an **operating expense budget**. An operating expense budget represents the sum of all your fixed cost items for a set period of time, for example a year or a month. Work through the sections taking into account those that apply to your business. Skip those that do not.

3.1. Salaries and Wages

Who will be working in your business? Think of the different roles that need to be fulfilled.

As you think through the roles you will need to fulfill in your business, make sure to do some research on the type of employment opportunities you can generate. You can visit the IRS website at <https://www.irs.gov/taxtopics/tc512.html> for more information.

Fill out the table below to see how much your payroll is going to cost.

EXAMPLE

Role	Hourly Wage Note 1	Work Hours per Week Note 2	Pay per Week Note 3	Yearly Pay Note 4	Average Monthly Pay Note 5	Taxes and Fees (15%) Note 6	Total Wages and Fees Note 7
Manager	\$20.00	40	\$800.00	\$41,600	\$3,466.67	\$520.00	\$3,986.67
Cook 1	\$15.00	25	\$375.00	\$19,500	\$1,625.00	\$243.75	\$1,868.75
Cook 2	\$13.00	15	\$195.00	\$10,140	\$840.00	\$126.75	\$966.75
TOTAL					\$5,931.67	\$890.5	\$6,822.17

Role	Hourly Wage Note 1	Work Hours per Week Note 2	Pay per Week Note 3	Yearly Pay Note 4	Average Monthly Pay Note 5	Taxes and Fees (15%) Note 6	Total Wages and Fees Note 7
TOTAL							

Note 1: If you are planning to pay the person in this role an annual salary instead of an hourly rate, enter the annual salary in the 5th column – “Yearly Pay” and continue with the instructions in Note 5.

Note 2: A full time employee works more than 30 hours per week.

Note 3: $Pay\ per\ week = Hourly\ Wage \times Work\ Hours\ per\ Week$

Note 4: $Yearly\ pay = Pay\ per\ week \times 52$

Note 5: $Average\ monthly\ pay = Yearly\ Pay \div 12$

Note 6: Taxes and fees involved in salaries and wages will vary depending on the employee, their circumstances and references. For the purpose of this exercise, we will use 15% to budget conservatively for them. $Taxes\ and\ Fees = Average\ Monthly\ Pay \times 0.15$

Note 7: This is the amount it will cost you to retain this employee. $Total\ Wages\ and\ Fees = Average\ Monthly\ Pay + Taxes\ and\ Fees$

3.2. Advertising and Promotion

How do you plan to advertise your business and promote your products or services to your customers and other key partners?

For each item above: **EXAMPLE**

Medium	Concept	Amount	Frequency
Webpage	Hosting	\$70.00	Annual
Business Cards	Printing 500	\$22.00	Semester
Facebook Adds	Post	\$5.00	Monthly

Medium	Concept	Amount	Frequency

3.3. Automobile Expenses

Will you be using a vehicle for business purposes? For example, will you need to visit clients or make deliveries?

If yes, continue to answer the questions in this section, if no, move on to the next section.

Will you use a vehicle(s) you already own? Or do you plan to purchase a vehicle or multiple vehicles?

	Make	Model	Year	Value
Vehicle A				
Vehicle B				
Vehicle C				

Will you pay or have you paid for this vehicle(s) out right, or will you finance or have you financed them?

	Amount financed	Term (months)	Interest rate	If you already own your vehicle, how much do you have left on the loan?	
Vehicle A				Amount	Months
Vehicle B				Amount	Months
Vehicle C				Amount	Months

What is the maintenance budget for your vehicle(s)?

	Monthly fuel budget	Service and repair budget	
Vehicle A		Amount	Frequency
Vehicle B		Amount	Frequency
Vehicle C		Amount	Frequency

3.4. Insurance Expense

“Business insurance protects your investment by minimizing financial risks associated with unexpected events such as a death of a partner, an injured employee, a lawsuit, or a natural disaster. Unless you are an employer, business insurance is generally not required by law, however, it is common practice to purchase enough insurance to cover your assets.”¹

Arkansas requires “businesses with employees to pay for workers' compensation insurance, unemployment insurance, and state disability insurance. Your state may require insurance of specific business activities. For example, if you own a car or truck and use it for business purposes, you may be required to purchase commercial auto insurance. Finally, your financial lender or investors may require you to maintain life, business interruption, fire, flood or other types of insurance to protect their investments”²

Type of insurance	Premium	How often will you pay the premium?
Worker's Compensation		
Unemployment		
Disability		
Auto Insurance		
General Liability		
Property Owner's or Renter's		
Other:		
Other:		
Other:		

¹ <https://www.sba.gov/managing-business/running-business/insurance/business-insurance>

² Ibid.

For more information visit:

<https://www.sba.gov/managing-business/running-business/insurance/business-insurance>

3.5. Internet and Telephone Expense

Shop around! See who will offer you the best deal!

Who will you purchase internet and telephone expenses from?

What are the terms of your service?

Item	Monthly budget
Internet	
Land line	
Cell phone (talk, text, data)	
Other	

3.6. Licenses and Permits

Type of insurance	Amount	How often will you need to renew it?
Business License		
Professional License, Certification or Permit		
Other:		
Other:		
Other:		

Examples of other licenses you may need to consider are: Certified Public Accountant Licenses, Food Permits, Alcoholic Beverage Sales Permits, Cosmetologist Certification, etc.

For more information on federal and state licenses you can visit:

<http://www.arkansas.gov/services/list/category/business-professional-licensing>

<https://www.sba.gov/starting-business/business-licenses-permits/federal-licenses-permits>

3.7. Meals and Entertainment

Business-related meals and the entertainment expenses, otherwise for business purposes are part of different business models. Give yourself a budget.

	Monthly budget
Meals and Entertainment Expense	

For more information visit:

<https://www.irs.gov/taxtopics/tc512.html>

3.8. Professional Fees

Will you work with a CPA (not in-house)? Will you retain a lawyer? Will you contract a web designer? Will you work with a consultant? These are all expenses that fit into the professional fee category.

Shop around for rates. Get quotes and include them in your operating budget.

Type of service	Amount	Frequency of payment
CPA		
Lawyer		
Web designer		
Consultant		
Other:		
Other:		
Other:		

See final appendix for a list of local accountants, lawyers and other professionals.

3.9. Rent Expense

Remember to always read your rent contracts very carefully to make sure you understand all the terms outlined within.

How often will you pay your rent?

	Monthly amount
Rent Expense	

3.10. Repairs and Maintenance

The physical space in which your business operates and your equipment may need to undergo repairs or maintenance at some point. Give yourself an annual budget.

	Annual budget
Computer maintenance	
Machinery maintenance	
General repairs	
Other:	
Other:	
Other:	
TOTAL	

At what time of the year are these expenses likely to happen?

3.11. Office Supplies

These are items you use for what you would think of as “office work”. This includes things such as paper, ink, pens, post-its, paper clips, envelopes, postage, etc. It can also include staplers, telephones, calculators and other small tools or equipment. Some business models will use and deplete Office Supplies quicker than others. Think about your type of business.

To open your business, you may need to visit your local office goods supply store. Make yourself a list of what you need to purchase to “stock up” on office supplies and make yourself a budget. You may have already done so in Section 3 under General and Administrative Expenses.

	Total
Initial Office Supply Budget	

Think about how much you will need to spend to re-stock your office supplies as they deplete during every-day work.

	Monthly budget
Office Supply Expense	

3.12. Other Supplies

Items that you use to carry out your day to day operations but that are not an intrinsic part of your product fall into this category. It can include small tools such as drill bits and screwdrivers as well as depleting objects such as sand paper, hangers, paper towels and cleaning supplies.

Like office supplies you will likely need to purchase an initial bunch of supplies and then spend money on these items periodically.

Think about the different categories of supplies you will need to purchase to begin operations. If you need more than 5 categories or want to make an itemized list instead, feel free to use an extra piece of paper.

	Budget
Category 1:	
Category 2:	
Category 3:	
Category 4:	
Category 5:	
TOTAL	

3.13. Travel Expense

If your business requires you and/or your employees to travel by air, stay at hotels, use rental cars, etc., make sure to give yourself a budget for it.

Think about how often and when these expenses are likely to take place throughout the year.

Category	Budget	Frequency
Air Travel		
Car Rental		
Hotel		
Other:		
Other:		
Other:		

3.14. Utilities

How much do you expect to pay in water, electricity and/or gas? You can call your local utility companies to get estimated budgets if you need to.

	Budget
Utility 1:	
Utility 2:	
Utility 3:	
TOTAL	

3.15. Cost of Financing

Refer back to Section 2.3. in which you made a summary of all your sources of financing and estimated monthly payments.

Please summarize and calculate your annual cost of financing:

Source of Funding	Monthly Payment	Annual Payment (Multiply Monthly Payment by 12)

3.16. Reserves

Setting aside cash reserves is crucial to starting and maintain any business. Without them, a business owner may be ill-equipped to handle unexpected or emergency expenses. Cash reserves can buy business owners time in case they need to re-adjust strategy. In many cases, experts recommend business owners sacrifice some personal income to invest in cash reserves for business use.³

³ <http://smallbusiness.chron.com/much-money-should-company-cash-reserves-19103.html>

Think about your total operating budget.

How many months' worth of operating expenses would you like your reserves to cover? This still represent your total savings goal.

	Total
Total Reserve Goal	

Now think about how much you would like to save per month.

	Monthly Budget
Monthly Savings Goal for Reserve	

You should plan to put this amount of money back every month until you have completed your total reserve goal. Make sure this money is stored safely away where it won't be spent accidentally.

	Annual Budget
Total Contribution to Reserves in first 12 months of operations	

3.17. Personal Budget

Before starting a business, it is important to understand what your personal financial needs are so that you can make sure they are met.

Do you know what your monthly household budget is? How much of that budget are your responsible for?

	Value
Monthly Household Budget	

How do you plan to cover your financial needs? Are you able to cover them form alternative sources, or will you need to cover them with business revenue?

If you will need to rely on business revenue, will you need to cover the entirety or only a portion of it? How much?

	Value
Required income from business	

3.18. Operating Expense Budget

In this section, the goal is to summarize sections 3.1. – 3.17. and figure out, if you have not already, what the annual budget for each budget item would be. Please use the table below.

Budget Item	Annual Budget
Salaries and Wages	
Advertising and Promotion	
Automobile Expenses	
Insurance Expense	
Internet and Telephone Expense	
Licenses and Permits	
Meals and Entertainment	
Professional Fees	
Rent Expense	
Repairs and Maintenance	
Office Supplies	
Other Supplies	
Travel Expenses	
Utility Expense	
Cost of Financing	
Reserves	
Personal Budget	
Total	

Did we leave anything out? Can you think of anything else? Make sure to add it!

4. Breakeven Point

You have done a lot of work up to this point. You now know:

- How much it is going to cost you to startup
- You have an idea of where you are going to look for the funds you need to startup
- You also have an estimate of how much it is going to cost you to operate your business

The objective of this section is to help you conclude your initial “go-ahead” or “re-think” decision by helping you figure out the level of sales you will need to generate in order to cover the **operating expense budget** you put together in Section 3. This is called calculating your **breakeven point** (If revenue is equal to your breakeven point you will be making neither a profit nor a loss. If revenue is higher than breakeven you will be making a profit but if it is lower, you will be generating a loss.)

The components of a **breakeven point** calculation are:

- The **operating expense budget** or **fixed costs**
- **Gross margin ratio** or the difference between your average sales and your average **variable costs** for a given period of time expressed as a percentage of sales. **Gross margin** can also be calculated by looking at the difference between **price per unit** and **variable cost per unit**.

4.1. Thoughts on Price and Variable Costs

Price

Price is the value that is assigned to a product or service. **Price** multiplied by the number of units of products or services you sell in a given period of time will make up your sales, and thus is a very important element of your overall **operating budget**.

What we definitely know about price is that, at minimum, it should cover the cost you incurred to purchase or make the products or services you offer as well as the cost you incurred to sell them. This means that knowing your true **variable cost** is very important.

When determining price, you will also need to take into account that you will need to cover all of the expenses outlined in section 3 and you will want to consider the **profit margin** (the amount by which revenue from sales exceeds all costs and expenses) you want or need to be able to sustain and grow your business.

Other things to consider when determining price include:

- Customer's willingness to pay: a customer's choice to purchase or not to purchase is largely driven by how much they are willing to pay for a product or service. For example, some people will not be willing to pay a few additional cents per gallon of gasoline, especially if there is a station with a lower price nearby. However, some customers are more sensitive to price than others. Some might feel that having to drive further for the lower gasoline is not worth their time.
- The similarity of product or service features with competitors.

Direct Labor

These are the wages paid to employees for the time they spend producing your products or services. For example, if you plan to open up a restaurant, the wages you would pay your cooks would make part of your direct labor.

If you have already accounted for these roles in Section 3.1. you are set. If not, using that same example fill out the following for your direct labor:

Role	Hourly Wage Note 1	Work Hours per Week Note 2	Pay per Week Note 3	Yearly Pay Note 4	Average Monthly Pay Note 5	Taxes and Fees (15%) Note 6	Total Wages and Fees Note 7

Shipping

If you deliver your products to your customer, the cost of delivery (what you would pay a delivery person, the cost of fuel or what FedEx might charge you) would be included here.

Do you plan to ship merchandise to your clients?

If so, take a look at your options. Who would you use to ship? FedEx? UPS? USPS? Do you plan to do your own delivery?

Are you able to give yourself a budget for shipping? If so, what is it? If not, think about what information you need to be able to do this.

Commissions

Will you pay out commissions? If so, what percentage of sales do you plan to pay in commissions? Under what circumstances?

Credit Card Processing Fees

If you plan on receiving payments with credit cards, you will be subject to fees by the company that you choose to process these payments with. These charges can be considered part of your variable costs. It is important for you to shop around. Understand what these fees are and what the terms of service include.

Who will you purchase Merchant Services from (Eg. Directly from your bank, Square Space, QuickBooks, etc)? List your top 3 options.

For each option stated above, list fixed fees involved with the service, percentages that will be charged per transaction, and any other terms involved with the service. Use this to compare and assess your options.

Provider	Fixed Fees	% of Transaction Fees	Other Terms of Service

What percent of sales do you think you will make with a credit card?

4.2. Gross Margin Ratio and Breakeven Point

After going through Section 4.1., you may find that because of the type of business you are looking to start you are able to calculate your **gross margin per unit** by looking at the difference between the **price per unit** and the **variable cost per unit** of your product or service (express it as a percentage of sales). If this is not the case, for example because you are planning to start a retail shop and have a wide range of products, or you are planning to start a restaurant and have several menu items, then it is time to do some research.

You will want to identify what industry your business belongs to. You may find that your business can fit into more than one industry or industry types. Once you have done this you will need to research what the gross margin for that industry or those industries is. You can use the internet, you can try to contact the Small Business Administration for information in this regard you can try talking to other business owners in your industry and/or you can try contacting your industry's association. Think outside the box and make note of your findings below. Note: Even if you are able to calculate your gross margin with price per unit and variable cost per unit numbers, we encourage to do the research anyway. It will be a good way for you to compare, and test out your assumptions.

Example

Industry	Gross Margin (%)	Gross Margin (Decimals) <i>Divide your Gross Margin % by 100</i>
Health and Personal Care Stores	39.13%	0.3913
Health Food Stores	36.06%	0.3606

Industry	Gross Margin (%)	Gross Margin (Decimals)

If you have found more than one gross margin that makes sense for you, you are welcome to use an average to calculate your breakeven point, or you can calculate different breakeven points for the different gross margin numbers.

To calculate your breakeven point remind yourself what your operating budget is by looking back at the end of Section 3 and make a note of the total from Section 3.17.

Example

Annual Budget	
Operating Expense Budget	\$29,500

Annual Budget	
Operating Expense Budget	

Now take this number and divide it by your gross margin in decimals.

Example

$$\text{Breakeven Point (Annual Sales)} = \frac{\text{Operating Expense Budget}}{\text{Gross Margin}}$$

$$\text{Breakeven Point (Annual Sales)} = \frac{29,000}{0.3913}$$

$$\text{Breakeven Point (Annual Sales)} = \$74,112$$

Now break this number down so that you can absorb it:

- If you divide your Breakeven Point (Annual Sales) by 12, you will get the average monthly sales you will need to generate in order to cover your fixed costs.
- If you divide it by 52, you will get the average weekly sales you need to generate in order to cover all your fixed costs.
- If you divide it by 365, you will get the average daily sales you need to generate in order to cover all your fixed costs.

Do these numbers seem reasonable?

Will you be able to generate a large enough customer base in order to surpass these numbers and grow your profits and your business?

What would happen if your operating expense budget was 50% higher? Would you still be able to make it?

Think about how much time you think it will take you to actually begin making this level of sales. How much cash will you need to make up for the loss you will be generating while you grow? It will be important to add this number into the amount of startup money you calculated in Section 2.1.

Glossary

Asset: A resource that you own that has economic value.

Breakeven Point: The point at which revenue or income equals expenses. At breakeven businesses do not make a profit but they do not incur a loss.

Cost of Goods Sold: Refers to the sum of your variable costs in proportion to the volume of sales.

Cost of Revenue: The same as Cost of Goods Sold but is used to describe the cost of sales of a service rather than of a physical product.

Debt: Refers to money that has been borrowed and is to be paid back at a later date, usually with interest.

Debt Service: Cash that is required to cover the repayment of interest and principal on a debt in a given period of time.

Equity: Refers to a portion of ownership in an asset after all debts associated with the asset have been paid off. It also refers to the portion of ownership an individual or incorporation has in a business.

Fixed Cost: Represent all expenses that a business has to incur independently of how much they sell or produce. It includes things such as rent, insurance, wages, etc.

Furniture and Fixtures: Additions to a space that you will be able to take with you when you leave such as desks and tables, chairs, bookcases or partitions, amongst others. Unlike leasehold improvements, furniture and fixtures are considered personal property.

Global Cash Flow: Considers a person or incorporation's sources cash inflows for a given period and compares it to the volume of debt payments for the same period to figure out whether the amount of cash available to that person or incorporation sufficiently covers current and new/oncoming debt.

Gross Margin: The difference between revenue or income and your variable cost.

Gross Margin Ratio: Your gross margin expressed as a percentage of revenue or income.

Interest: The cost of borrowing money. It is normally expressed in terms of annual percentage rate charged in terms of the amount of money borrowed.

Leasehold Improvements: Permanent renovations or enhancements made to a property you are leasing. They involve additions that you will be unable to take with you when you leave such as partitioning a space (for example, to put in dressing rooms), installing retail shelves, installing specialized lighting, etc.)

Operating Expense Budget: An estimation of a business' expenses for a given period of time.

Price: The amount of money charged in payment for something. Price multiplied by number of units of product or service sold equals revenue or income.

Price per unit: The amount of money charged for one unit of product or service.

Profit Margin: The amount by which revenue from sales exceeds all costs and expenses. It can be expressed as a percentage of revenue or income.

Stake: Refers to the portion of ownership one holds in a company.

Variable Cost: Represents how much it cost you to produce and deliver each unit of product or service your business sell. The usage of these costs depends on how much product you produce or sell.

Variable Cost per Unit: The cost of one single unit of product or service. For example, the cost of making 1 chair, making 1 hamburger or providing 1 hour of service.

Local Resources Appendix

Accountants and Bookkeeping

Searcy & Associates, LLC

Phone: 870-367-3580

Address: 201 South Main Street, Monticello, AR 71655

McQueen & Co Ltd.

Phone: 870-367-0674

Address: 993 Hwy 425 North, Monticello, AR 71655

Frost Accounting Services

Phone: 870-224-0872

Address: 104 South Hyatt Street, Monticello, AR 71655

H & R Block

Phone: 870-367-5042

Address: 420 W Gaines Ave #2, Monticello, AR 71655

Barbara Newton Bookkeeping Services

Phone: 870-367-0300

122 Meadowview Drive, Monticello, AR 71655

Jackson Hewitt Tax Service

Phone: 870-460-9088

Northpark Village Business Center 427 Highway 425 North, Monticello, AR 71655

Tax Centers of America

Phone: 870-460-0005

439 East Gaines Avenue, Monticello, AR 71655

Liz Cannatella CPA

Phone: 870-367-0674

993 US Highway 425, Monticello, AR 71655

Attorneys

Barton Law Firm

Phone: 870-367-6288
Address: 106 West Oakland Street, Monticello, AR 71655

Gibson & Keith, PLLC

Phone: 870-367-2438
Address: 119 South Main Street, Monticello, AR 71655

John F. Gibson Jr

Phone: 870-367-9792
Address: 207 South Main Street, Monticello, AR 71655

Sara M Hartness Law Office

Phone: 870-367-8304
Address: 534 West Gaines Avenue, Monticello, AR 71655

Hashem Law Firm

Phone: 870-367-4223
Address: 437 West Conrad Avenue, Monticello, AR 71655

Dale West, Attorney

Phone: 870-460-9502
Address: 109 East Gaines Avenue, Monticello, AR 71655

Business Start-Up and Development Resources

Arkansas Small Business & Technology Development Center

Web: <https://asbtdc.org>
Email: sbtdc@uamont.edu
Phone: 870-460-1910
Address: P.O. Box 3093, Monticello, AR 71656 – 140 University Place (Babin Business Center 3rd Floor on UAM Campus).

The Arkansas Small Business and Technology Development Center is a university-based economic development program that assists entrepreneurs, both new and seasoned. We help with every aspect of business creation, management, and operation.

Through our [seven offices](#) around the state, ASBTDC works with all types of for-profit businesses, from home-based to high-tech. You can receive one-to-one confidential consulting and cutting-edge market research at no charge, or expand your expertise by participating in our affordable training.

As the state's premier business assistance provider, the ASBTDC is dedicated to helping small businesses achieve success and to promoting economic development throughout the state.

Business Funding and Financing Resources

Arkansas Small Business & Technology Development Center (SBA & traditional Loans)

Web: <https://asbtcdc.org>
Email: sbtcdc@uamont.edu
Phone: 870-460-1910
Address: P.O. Box 3093, Monticello, AR 71656 – 140 University Place (Babin Business Center 3rd Floor on UAM Campus).

Citizens Bank

Web: <https://www.thecitizensbank.net>
Phone: 870-367-1935
Address 555 West Gaines Street, Monticello, AR, 71655

Commercial Bank

Web: <https://www.commercial-bank.net>
Phone: 870-367-6221
Address 212 West Gaines Avenue, Monticello, AR 71655

Simmons Bank

Web: <https://www.simmonsbank.com>
Phone: 870-367-5334
Address 473 Highway 425 North, Monticello, AR 71655

Union Bank

Web: <https://www.unionbnk.com>
Phone: 870-460-6400
Address Downtown on the Square, Monticello, AR 71655

Monticello Economic Development Commission

Web: www.monticelloedc.org
Email: assistant@monticelloedc.org
Phone: 870-367-3076

Address: 211 West Gaines Avenue, Monticello, AR 71655

Monticello Economic Development Commission (MEDC) is a non-profit organization with a unique approach to delivering small business services. Since 1998, they have helped almost 500 small businesses grow, offer jobs and create wealth in Drew County. MEDC works in cooperation with the SBTDC to deliver technical resources and small business loans. Listings of available commercial properties for sale and lease, mentorships and other resources are available to qualified applicants.



Monticello Economic Development Commission

REVOLVING LOAN FUND – LOAN APPLICATION

Thank you for considering the Monticello Economic Development Commission's Revolving Loan Fund. This funding is available as gap financing of no more than \$25,000 and start-up financing of no more than the lower of \$25,000 or 75% of the start-up costs. These loans are made on a first come, first serve basis to applicants who meet the funding requirements.

To make application to this source of funding, you must meet the following criteria:

- Have applied at a local financial institution and been denied completely or received a portion of the funding you seek.
- Meet criteria of low income by definition of 185% or less of established federal poverty guidelines (see-<http://aspe.os.dhhs.gov/poverty/poverty.htm>)
- Complete business set-up or expansion plans prior to formal application
 - Mission of business
 - Purpose of business
 - Market
 - Organization
- Complete a financial plan for the funds being requested.
 - One year and five year plans
 - Provide verifiable income levels
 - Monthly & Quarterly predictions
- Be willing to access credit counseling prior to application submission if denied based on poor credit rating.
- Be prepared to acquire any license or permits needed for the business prior to receiving funds approved.
- For every loan approved, there will be a least one new job created.

Please make an appointment with MEDC's Executive Director to begin the process.

P.O. Box 1890 • Monticello, Arkansas 71657
(870) 367-3076 • Fax: (870) 367-3492
Email: director@monticelloedc.org



I. LOAN APPLICANT INFORMATION

BUSINESS INFORMATION

Name _____	Type of Business _____
Business Name _____	Structure: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> LLC
Address _____	<input type="checkbox"/> Sole Prop <input type="checkbox"/> Other _____
City/State/Zip _____	No. of Employees: Before Loan ____ After Loan ____
Telephone/Fax _____	Jobs Retained _____
Email _____	Current Bank _____
Website _____	Bank Address _____
Tax ID Number _____	City/State/Zip _____
Date Established _____	

PROPOSED PROJECT COSTS

Land Acquisition	\$ _____
Land and Building Acquisition	\$ _____
Refinance Existing Bank Loan	\$ _____
Other Debt Repayment	\$ _____
Machinery and Equipment	\$ _____
Furniture and Fixtures	\$ _____
Inventory Purchase	\$ _____
Acquisition of Existing Business	\$ _____
Working Capital	\$ _____
Loan Closing Costs	\$ _____
Other _____	\$ _____
Other _____	\$ _____
TOTAL CAPITAL REQUIREMENTS	\$ _____
Cash to be Provided by Borrower	\$ _____
Funds Provided by Other Sources	\$ _____
LOAN AMOUNT REQUESTED	\$ _____



I. LOAN APPLICATION

LOAN HISTORY

List any previous or existing SBA or other Federal Government Debt.

NAME OF AGENCY	ORIGINAL AMOUNT OF LOAN	DATE OF LOAN	BALANCE	CURRENT OR PAST DUE

OWNERSHIP INTERESTS & AFFILIATES

List the proprietor, partners, officers, directors, and all holders of outstanding stock in your business. 100% ownership must be shown.

NAME	TITLE	% OWNERSHIP

List any other business concerns in which the applicant company or any of the individuals listed above have any ownership.

NAME	TITLE	% OWNERSHIP

ADDITIONAL INFORMATION

1. Have you or any officer of your company ever been involved in bankruptcy or insolvency proceedings? Yes* No
2. Are you or your business involved in any pending lawsuits? Yes* No
3. Does any applicant or their spouse or any member of their household, or anyone who owns, manages or directs your business or their spouses or members of their households, work for the Small Business Administration, Small Business Advisory Council, SCORE or ACE, any Federal Agency, or the participating lender? Yes* No
4. Does your business presently, or will it as a result of this loan, engage in export trade? Yes* No
5. Does the company or any owner own title to a patented, trademarked, or copyrighted product? Yes* No
6. Does the company maintain Life Insurance or any owner or officer? Yes* No
 Insured _____ Beneficiary _____ Amount \$ _____
 Insured _____ Beneficiary _____ Amount \$ _____

*If YES, please provide the details on an additional page.



BUSINESS PROFILE

Please answer the questions below or provide the information on a separate attachment.

1. Describe the history of your business. Include the year founded, by whom, products, or services provided, and location.

2. Who are your major customers?

NAME	CITY, STATE OR COUNTRY	PERCENT (%) SALES
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

3. Who are your major suppliers?

NAME	CITY, STATE OR COUNTRY	PERCENT (%) SALES
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Who are your major competitors?

NAME	CITY, STATE OR COUNTRY	PERCENT (%) SALES
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

5. How will the loan change or aid the growth of your business?

Application preparation. List the name and occupation of anyone who assisted in the preparation of this form.

Name _____ Occupation _____ Fee Paid \$ _____

By signing below, you certify the information you've given with this Application is true and complete. You authorize us to verify your statements with any source and obtain credit and employment history.

Date _____ Signature _____

Title _____ Name (printed) _____



MANAGEMENT

(Proprietor, partners, officers, directors, all holders of outstanding stock – 100% of ownership must be shown.)

Name and Social Security Number Position/Title	Complete Address	% OWNERSHIP



MANAGEMENT PROFILE

A management profile must be completed by the proprietor, each partner, each holder of 20% or more of common stock and/or key management. You may attach your education and employment history separately if preferred.

Name _____ SSN _____
Date of Birth _____ Place of Birth _____

Are you a US Citizen? Yes No
(If no, please provide Resident Alien Registration Number _____ and copy of Resident Alien Card (green card.))

Are you a veteran? Yes No

Current Residence

Address _____
City _____ State/Zip _____
County _____ From _____ To _____

Immediate Past Residence

Address _____
City _____ State/Zip _____
County _____ From _____ To _____

Education

Institution(s) _____
From _____ To _____ Degree(s) _____

Employment History for Prior 10 Years

Employer _____ Location _____
Position _____ From _____ To _____
Responsibilities _____

Employer _____ Location _____
Position _____ From _____ To _____
Responsibilities _____

Additional Information

- Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction?
 YES* No Initials _____
- Have you been arrested in the past six months for any criminal offense?
 YES* No Initials _____
- For any criminal offense – other than a minor vehicle violation – have you ever: 1) been convicted/ 2) plead guilty; 3) plead nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?
 YES No Initials _____

**If "YES," please provide the details on an additional page.*

Date _____ Signature _____



II. BUSINESS DEBT SCHEDULE

Furnish the following information on all installments debts, contracts, notes, and mortgages payable. Indicate by asterisk (*) items to be paid by loan proceeds and reason for paying same. Present balances should agree with latest balance sheet submitted. Do not include accounts payable or accrued liabilities.

Business Name _____		Date _____				Signature _____				
CREDITOR NAME AND ADDRESS CITY/STATE/COUNTRY	ORIGINAL DATE	ORIGINAL AMOUNT	PRESENT BALANCE	INTEREST RATE	MONTHLY PAYMENT	MATURITY DATE	COLLATERAL SECURITY			
TOTAL PRESENT BALANCE										



III. MONTH-TO-MONTH PROJECTIONS AND ASSUMPTIONS

Please answer the questions below or provide the information on a separate attachment.

1. How will you achieve sales?

2. Who/what is your market going to be?

3. What are your major expenses and how will you control them?

4. Other:

Date _____ Signature _____
Title _____ Name (Printed) _____



IV. PERSONAL FINANCIAL STATEMENT

As of _____, _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan. SBA loans require a joint personal financial statement that includes the assets of the spouse or any minor children.

Name _____ Business Phone _____
 Residence Address _____ Residence Phone _____
 City, State, & Zip Code _____
 Business Name of Applicant/Borrower _____

ASSETS		LIABILITIES	
Cash on hand & in banks	\$ _____	Accounts Payable	\$ _____
Savings Accounts	\$ _____	Notes Payable to Banks/Others	\$ _____
IRA or Other Retirement Account	\$ _____	(Describe in Section 2)	
Accounts & Notes Receivable	\$ _____	Installment Account (Auto)	\$ _____
Life Insurance – Cash Surrender Value	\$ _____	Mo. Payments \$ _____	
(Complete Section 8)		Installment Account (Other)	\$ _____
Stocks and Bonds (Describe in Section 3)	\$ _____	Mo. Payments \$ _____	
Real Estate (Describe in Section 4)	\$ _____	Loan on Life Insurance	\$ _____
Automobile - Present Value	\$ _____	Mortgages on Real Estate	\$ _____
Other Personal Property (Section 5)	\$ _____	(Describe in Section 4)	
Other Assets (section 5)	\$ _____	Unpaid Taxes (Describe in Section 6)	\$ _____
		Other Liabilities (Describe in Section 7)	\$ _____
		Total Liabilities	\$ _____
		Net Worth	\$ _____
Total	\$ _____	Total	\$ _____

Section 1: Source of Income		Contingent Liabilities	
Salary	\$ _____	As Endorser or Co-Maker	\$ _____
Net investment Income	\$ _____	Legal Claims & Judgments	\$ _____
Real Estate Income	\$ _____	Provision for Federal Income Tax	\$ _____
Other Income (Describe Below)	\$ _____	Other Special Debt	\$ _____

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in Other Income.

Section 2: Notes Payable to Banks and Others.					
Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly etc)	How Secured or Endorsed/Type of Collateral



Section 3: Stocks and Bonds.					
Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value
Section 4. Real Estate Owned.		Property A	Property B	Property C	
Type of Property					
Address					
Date Purchased					
Original Cost					
Present Market Value					
Original Cost					
Present Market Value					
Name & Address of Mortgage Holder					
Mortgage Balance					
Amount of Payment per Month/Year					
Status of Mortgage					
Section 5: Other Personal Property and Other Assets. (Describe and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)					
Section 6: Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)					
Section 7: Other Liabilities.					
Section 8: Life Insurance Held. (Give face amount and cash surrender value of policies – name of insurance company and beneficiaries)					



Section 9: Other Information	
Are you currently liable for delinquent taxes?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you an endorser/guarantor for others?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you ever filed for bankruptcy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you or your business involved in any pending lawsuits?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If "YES" to any of the above, please explain in an attachment.	

The undersigned, as the Applicant or on behalf of the Applicant, hereby affirms that the information provided to Monticello Economic Development Commission in connection with this credit application is true and correct and that this credit application is made solely in connection with a commercial (and not a personal, family or household) transaction. I authorize Monticello Economic Development Commission to obtain business or personal financial information regarding the undersigned or Applicant, including credit or employment status, either directly or through any agency employed by Monticello Economic Development Commission, and to report that information to other for the purpose of evaluating this application or servicing a loan approved pursuant to this application.

Signature _____ Date _____

Signature _____ Date _____



V. PERSONAL BUDGET ANALYSIS

Please provide the following information regarding sources and uses of cash during the calendar year and your projections for the current year. If a cash flow deficit exists, explain how the existing or requested debt will be serviced.

Name _____ Individual Statement Joint Statement

ANNUAL SOURCES OF CASH	PRIOR YEAR	CURRENT YEAR
1. Salaries/Commissions, Bonuses, or any other income from employment	\$ _____	\$ _____
2. Rents received	\$ _____	\$ _____
3. Dividends	\$ _____	\$ _____
4. Interest Income	\$ _____	\$ _____
5. Sale of Assets	\$ _____	\$ _____
6. Royalties	\$ _____	\$ _____
7. Distributions from Estates & Taxes	\$ _____	\$ _____
8. Cash distributions from Business Partnerships or joint ventures	\$ _____	\$ _____
9. Income tax refund	\$ _____	\$ _____
10. Other sources of Cash	\$ _____	\$ _____
TOTAL CASH RECEIVED	\$ _____	\$ _____

ANNUAL USE OF CASH		
1. Personal Expenses (utilities, rent, household, etc.)	\$ _____	\$ _____
2. Bank Loans – principal and interest	\$ _____	\$ _____
3. Other loans – Principal and interest	\$ _____	\$ _____
4. Insurance payments		
5. Income taxes not covered by withholding	\$ _____	\$ _____
6. Other uses of cash	\$ _____	\$ _____
TOTAL CASH OUTLAYS	\$ _____	\$ _____
CASH FLOW SURPLUS (DEFICIT)	\$ _____	\$ _____



Section II – PERSONAL PROPERTY

All items with an original value greater than \$5,000 listed herein must show manufacturer or make, model, year, and serial number. Items with no serial number must be clearly identified (use additional sheet if more space is required.)

Description – Show Manufacturer, Model, Serial No.	Year acquired	Original Cost	Market Value	Current Lien Balance	Name of Lienholder

All information contained herein is TRUE and CORRECT to the best of knowledge.

NAME _____ DATE _____

NAME _____ DATE _____

GENERAL BORROWER CERTIFICATIONS

(1) ASSURANCE AGREEMENT (TITLE VI, CIVIL RIGHTS ACT OF 1964)

"Recipient" herein hereby assures the United States Department of Agriculture that Recipient is in compliance with and will continue to comply with title VI of the Civil Rights Act of 1964 (42 U. S. C. 2000d et. seq.), 7 C.F.R. part 15, and USDA regulations promulgated hereunder, 7 C.F.R. § 1901.202 of subpart E of part 190 1. In accordance with that Act and the regulations referred to above, Recipient agrees that in connection with any program or activity for which Recipient receives Federal financial assistance (as such term is defined in 7 C.F.R. § 15.2) no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

A. Recipient agrees that any transfer of any aided facility, other than personal property, by sale, lease or other conveyance of contract, shall be, and shall be made expressly, subject to the obligations of this agreement and transferee's assumption thereof

B. Recipient shall:

- (1) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain compliance with this agreement and the regulations.
- (2) Permit access by authorized employees of the USDA during normal business hours to such books, records, accounts and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
- (3) Make available to users, participants, beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the USDA finds necessary to inform such persons of the protection assured them against discrimination.

C. The obligations of this agreement shall continue:

- (1) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, so long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for as long as the recipient retains ownership or possession of the property, whichever is longer.
- (2) As to any personal property acquired or improved with the aid of the Federal financial assistance, so long as Recipient retains ownership or possession of the property.
- (3) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.

D. Upon any breach or violation of this agreement the Government may, at its option:

- (1) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity.
- (2) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs.

Rights and remedies provided for under this agreement shall be cumulative.

(2) EQUAL OPPORTUNITY AGREEMENT (EXECUTIVE ORDER 11246, AS AMENDED)

"Recipient" (whether one or more) and the USDA, pursuant to the rules and regulations of the Secretary of Labor ("Secretary") issued under the authority of Executive Order 11246, as amended, agree:

In consideration of financial assistance (whether by a loan, grant, loan guaranty, or other form of financial assistance) made or to be made by the USDA to Recipient, Recipient hereby agrees, if the cash cost of construction work performed by Recipient or a construction contract financed with such financial assistance exceeds \$10,000 unless exempted by rules, regulations or orders of the Secretary issued pursuant to section 204 of Executive Order 11246 of September 4, 1965.

A. To incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause" :

During the performance of this contract, the contractor agrees as follows:

- (1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated equally during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited, to the following: employment, upgrading demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the USDA setting forth the provisions of this nondiscrimination clause.
 - (2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
 - (3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the USDA, advising the said labor union or workers' representative of the contractor's commitments under this agreement as required pursuant to section 202(3) of Executive Order 11246, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
 - (4) The contractor will comply with all provisions of Executive Order 11246, and of all rules, regulations and relevant orders of the Secretary of Labor and of any prior authority which remain in effect.
 - (5) The contractor shall furnish all information and reports required by Executive Order 11246, rules, regulations, and orders, or pursuant thereto, and will permit access to his books, records, and accounts by the USDA, Office of Civil Rights, and the Secretary for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
 - (6) In the event of the contractor's noncompliance with the Equal Opportunity (Federally Assisted Construction) clause or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government Contracts or Federally Assisted construction contracts on accordance with procedures authorized in Executive Order No. 11246, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246, or by rule, regulation or order of the Secretary, or as provided by Law No.
 - (7) The contractor will include the provisions of this Equal Opportunity (Federally Assisted Construction) clause in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246, so that such provisions will be binding upon each such subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order USDA may direct as a means of enforcing such provisions, including sanctions for non compliance: Provided, however, that in the event the contractor becomes involved in or is threatened with litigation with a subcontractor or vendor as a result such direction by the USDA, the contractor may request the United States to enter into such litigation to protect the interest of the United States.
- B. To be bound by the provisions of the Equal Opportunity Clause in construction work performed by Recipient and paid for in whole or in part with the aid of such financial assistance.
 - C. To notify all prospective contractors to file the required "Compliance Statement," Form RD 400-6, with their bids.
 - D. Form AD-425, Instructions to Contractors, will accompany the notice of award of the contract. Bid conditions for all nonexempt Federal and Federally assisted construction contracts require inclusion of the appropriate "Hometown" or "Imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.
 - E. To assist and cooperate actively with the USDA and the Secretary in obtaining the compliance of contractors and subcontractors with the provisions of the Equal Opportunity Clause and the said rules, regulations, and orders, to obtain and furnish to the USDA and the Secretary, Form AD-560, "Certification of Nonsegregated Facilities", to submit the Monthly Employment Utilization Report, Form CC-257, as required and such other information as may be required for the supervision of such compliance, and to otherwise assist the USDA in the discharge of its primary responsibility for securing compliance.

- F. To refrain from entering into any contract, or extension or other modification of a contract, subject to such Executive Order with a contractor debarred from Government contracts or Federally assisted construction contracts pursuant to part 11, subpart D, of such Executive Order or to prior authority; and to carry out such sanctions and penalties for violation of the provisions of the Equal Opportunity Clause as may be imposed upon contractors and subcontractors by the USDA or the Secretary pursuant to such subpart D.
- G. That if Recipient fails or refuses to comply with these undertakings, the USDA may take any or all of the following actions: (a) cancel, terminate, or suspend said financial assistance in whole or in part; (b) refrain from extending any further assistance under the program involved until satisfactory assurance of future compliance has been received from Recipient; and (c) refer the case to the USDA Office of Civil Rights Enforcement and Adjudications Program Complaint and Adjudication Division, U. S. Department of Agriculture for appropriate action.

(3) FEDERAL COLLECTION POLICIES FOR CONSUMER OR COMMERCIAL DEBTS

- A. The Recipient (Borrower) certifies, acknowledges and agrees that any loss claim(s) paid by the Government to the Lender on account of any guarantee made pursuant to this application will be a Federal debt owed to the Government by the Recipient. In such a case, the Government may use all legal collection remedies, including those under the Debt Collection Improvement Act. The Government's right to collect this Federal debt will not be affected by any release provided to the Recipient by the Lender. Lender agrees that any collection by the Government of this Federal debt will not be shared with the Lender.
- B. The Federal Government is authorized by law to take any and all actions in the event your loan payments become delinquent or you default on your loan:
- Report your name and account information to a credit reporting agency.
 - Assess interest and penalty charges for the period of time that payment is not made.
 - Assess charges to cover additional administrative costs incurred by the Government to service your account.
 - Offset amounts to be paid to you under other Federal programs.
 - Refer your account to a private collection agency to collect the amount due.
 - Foreclosure on any security you have given for the loan.
 - Pursue legal action to collect through the courts.
 - Report any written off debt to the Internal Revenue Service as taxable income.
 - If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits.
 - Debar or suspend you from doing business with the Federal Government either as a participant or principal throughout the Executive Branch of the Federal Government for a period of debarment or suspension.

(4) STATEMENT REQUIRED BY THE PRIVACY ACT

The USDA is authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et. seq.) or other Acts administered by USDA to solicit the information requested on USDA application forms.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Account or Federal Identification Number, will result in the rejection of your application.

The principal purposes for collecting the requested information are to determine eligibility for USDA credit or other financial assistance, the need for interest credit or other servicing actions, for the servicing of your loan, and for statistical analysis. Information provided may be used outside of the Department of Agriculture for the following purposes:

- To provide the basis for borrower success stories in USDA news releases.
- Referral to the appropriate law enforcement agency as required by 40 FR 38924 (1975).
- Referral to employees, business, landlords, creditors or others to determine repayment ability and eligibility for USDA programs.
- Referral to a contractor providing services to USDA in connection with your loan.

- Referral to a credit reporting agency.
- Referral to a person or organization when USDA decides such referral is appropriate to assist in the collection or servicing of the loans.
- Referral to a Federal Records Center for storage.

Every effort will be made to protect the privacy of applicants and borrowers.

WARNING

All information supplied to USDA by you or your agents in connection with your loan application may be released to interested third parties, including competitors, without your knowledge or consent under the provision of the Freedom of Information Act (5 U.S.C. 522).

Much information not clearly marked "Confidential" may routinely be released if a request is received for same. Further, if we receive a request for information marked "Confidential," the Federal Government will release the information unless you can demonstrate to our satisfaction that release of the information would be likely to produce substantial competitive harm to your business or would constitute a clearly unwarranted invasion of personal privacy. Also, forms, consultant reports, etc., cannot be considered confidential in their entirety if confidential material contained therein can reasonably be segregated from other information.

Information submitted maybe made available to the public during the time it is held in Government files regardless of the action taken by USDA on your application.

FEDERAL EQUAL CREDIT OPPORTUNITY ACT STATEMENT

Federal law does not allow discrimination of any kind. You cannot be denied a loan because of your race, color, religion, national origin, sex, marital status, handicap, or age (if you can legally sign a contract). You cannot be denied a loan because all or part of your income is from a public assistance program. If you believe that you have been discriminated against for any of these reasons, you can write the secretary of Agriculture, Washington, D. C. 20250. You cannot be denied a loan because you exercised your rights under the Consumer Credit Protection Act. You must have exercised these rights in good faith. The Federal Agency responsible for seeing this law is obeyed is the Federal Trade Commission, Washington, D.C. 20580.

GENERAL LENDER CERTIFICATIONS

LENDER _____

(1) RESTRICTIONS AND DISCLOSURE OF LOBBYING ACTIVITIES

If any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by §3017.510, Participants' responsibilities. The regulations were published as part IV of the January 30, 1989, Federal Register (pages 4722-4733). Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the proposed covered transaction.

(2) CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS -PRIMARY COVERED TRANSACTIONS

This certification is required by the regulations implementing Executive Order 12649, Debarment and Suspension, 7 C.F.R. §3017.510, Participants' responsibilities. The regulations were published as part IV of the January 30, 1989, Federal Register (pages 4722-4733). Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the proposed covered transaction.

The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out on this form. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.

The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause.

The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," and "voluntarily excluded," as used in this clause, have the meanings set out in Definitions and Coverage sections of rules implementing Executive Order 12649. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.

The prospective primary participant agrees by submitting this form that, should the proposed covered transaction be entered into, it shall not knowingly enter into a lower tier covered transaction with a person who is debarred, suspended, ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

The prospective primary participant further agrees by submitting this form that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tiered Transactions, provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non-procurement List.

Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

Except for transactions authorized under paragraph 5 of this section, if a participant in a covered transaction knowingly enters into a

lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal government, the department or agency may terminate this transaction for cause or default.

- (A) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
- (1) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (2) have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of a fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal, or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statement, or receiving stolen property;
 - (3) are not presently indicated for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph A. 2. of this certification; and
 - (4) have not within a three-year period preceding this application or proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.
- (B) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Non-Discrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

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