

Guide to Doing Business in New Jersey



THE STATE OF NEW JERSEY

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Disclaimer:

The data in this guide was updated in September of 2010 and was current at the time of publication. This guide is not intended as an exhaustive study on starting a business. When specific questions arise contact the New Jersey Business Action Center at 866-534-7789 or log onto www.NewJerseyBusiness.gov.

Section 1: Starting a New Business

Getting Started

Most entrepreneurs are not adequately prepared to go into business. While they have the motivation, desire and talent, many have not taken time to properly investigate and research the business they are interested in starting.

Reasons to Start a Business

Before starting a small business, list the reasons you want to go into business. Use a specific and systematic approach to build a plan from which success can be evaluated.

Some common reasons for starting a business include:

- Want to be your own boss
- Want financial independence
- Don't work well with others
- Dislike policy and procedures
- Want creative freedom
- Want to fully use your skills and knowledge

To determine the right business, answer the following questions:

- What do you like to do with your time?
- What technical skills have you learned or developed?
- Will you have the support of your family and/or spouse? Friends?
- How much time do you have to run the business?
- Do you have any hobbies or interests that are marketable?



The following best helps answer the question, what niche will the business fill?

- Is your idea practical and will it fill a need?
- What/who is your competition?
- What is your advantage over existing businesses?
- Can you deliver a higher value/better quality service?
- Can you create a demand for your business?

The last step in the model is the pre-business checklist. Answer the following questions and write down the responses before developing your plan:

- Describe the business you are interested in starting.
- What services or products will you sell?
- Where will you locate?
- What skills and experience do you bring to the business?
- What will be your legal structure?
- What name will you go by?
- What equipment or supplies will you need?
- How will your business records be maintained?
- What insurance coverage will be needed?
- What financing will you need?
- What are your resources?
- How will you compensate yourself and your staff?

Starting a New Business

Do I Have What It Takes to Own/Manage a Small Business?

Future business owners will be the most important employers, so an objective appraisal of strengths and weaknesses is essential. Some questions to ask yourself are:

- Am I a self-starter?
- How well do I get along with a variety of personalities?
- How good am I at making decisions?
- Do I have the physical and emotional stamina to run a business?
- How well do I plan and organize?
- Are my attitudes and drive strong enough to maintain motivation?
- How will the business affect my family?

Elements of a Business Plan

What is a Business Plan and Why Do I Need One?

A business plan precisely defines the business, identifies goals and serves as the firm's résumé.

The basic components include a current and pro forma balance sheet, an income statement and a cash flow analysis. It helps allocate resources properly, handles unforeseen complications and helps businesspeople make the right decisions.

Because the business plan provides specific and organized information about the company and how it will repay borrowed money, a good business plan is a crucial part of any loan package. Additionally, the plan can tell sales personnel, suppliers and others about the company's operations and goals.

Define the Business Plan

It may seem silly to ask, "What business am I really in?" But some owners/managers have gone broke because they never answered the question.

The following sample business plan outline may be of assistance in creating the company's business plan.

A Business Plan is:

- The management and financial "blueprint" for a business start-up and profitable operation.
- Written by the business owner with outside help, as needed.
- The explanation of how the business will function and depicts its operational characteristics.
- A detailed view of how the business will be capitalized and managed.



Construction of a Business Plan

1. Business Description

Includes your business name, address and owner identification and identifies goals and objectives. Further, the description clarifies why the business person wants to be in business.

Starting a Business

2. Products and Services

Describe what the company is selling and why. Explain, in detail, what products and services will be offered.

3. Sales and Marketing

Sales and marketing are the core of business rationale. A business plan should address several basic questions:

- Who and how large is your market?
- How will the business be competitive?
- What pricing and sales terms are planned?
- How will the business market its products and services?

4. Operating Requirements

The plan should identify and describe the equipment, facilities and people necessary to generate products and services. How will the products and services be produced and made available to the customer?

5. Financial Management

This is the most critical part of any business plan. Businesspeople will establish vital schedules that will guide the financial health of the business. For a new business, the plans should include:

- Projected "start-up costs"
- Expected profit or return on investment (ROI) for the first year
- Projected income statement and balance sheet for two years
- Projected monthly cash flow statement for 12 months



Whether your company is young or established, the business plan should include:

- Income statement and balance sheet for the last two years
- Projected income statement and balance sheet for the next two years
- Projected monthly cash flow statement for 12 months

The plan should include an explanation of all projections. If you feel your finance or accounting knowledge is not sufficient to prepare these statements you should seek professional assistance. The bottom line is: will, or does, the company make a profit?

6. Concluding Narrative

This segment of the plan should summarize business goals and objectives and send a message that owners are committed to the success of the business.

Put Your Best Foot Forward

The business plan should be complete, clear, neat and accurate. It will be an extension of you and your business.

The length of a good plan will vary from a few pages to a hundred or more. The plan should provide a sound "blueprint" for the business and entice any reader to want to know more.

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Sample Business Plan Outline

I. Cover Letter

Include items below for loan applications

- A. Dollar amount requested
- B. Terms and timing
- C. Type and price of securities

II. Cover Letter

- A. Dollar amount requested
 - 1. Name
 - 2. Location and plant description
 - 3. Product
 - 4. Market and competition
 - 5. Management expertise
- B. Business Goals
- C. Summary of financial needs and application of funds
- D. Earnings projections and potential return to investors
- E. "Exit" Strategy—describe to potential investor(s) exactly how they will be repaid for their investment. Repayment may come from refinancing or selling stock to others.

Whether a business plan is developed mainly for the benefit of inside or outside investors, the summary should "sit up and sing!" The company's goals, strategy and critical success factors belong up front.

III. Market Analysis

- A. Description of total market
- B. Industry trends
- C. Target market
- D. Competition

The market analysis should highlight the opportunities for the company to achieve its goals by asking:

- To whom are you trying to sell?
- What are the trends in your target market?
- Who are your customers and what are their product/service preferences and reasons for purchasing?

IV. Products or Services

- A. Description of product line
- B. Patents, copyrights, legal and technical considerations
- C. Comparison to competitor's products
- D. Opportunities or plans for expanding or redesigning product or service lines
- E. Project changes in sales mix cost and profit

This section should fully describe each product or service including any brand names and unique features. Analyze competitive advantages and disadvantages of each. The company's customers may be the final users or may resell to someone else. In the latter case, the business owner should know identity of the ultimate consumer as well as immediate customers.

V. Manufacturing Process (if applicable)

- A. Materials
- B. Sources of supply
- C. Production methods

VI. Market Strategy

- A. Overall strategy
- B. Pricing policy
- C. Sales terms
- D. Method of selling, distributing and servicing products

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What customer groups will the business target?

To generate sales, what product or service attributes will the company emphasize? How will the company advertise and otherwise promote its products or services?

VII. Market Strategy

- A. Critical risks the business faces
- B. Problems that may hinder plan execution
- C. How to avoid or offset problems

Things hardly ever proceed exactly according to plan. Develop contingency plans to meet crises and likely problems.

VIII. Management Plan

- A. Type of business organization
- B. Board of Directors composition
- C. Officers, organization chart and responsibilities
- D. Resumes of key personnel
- E. Staffing plan/number of employees
- F. Facilities plan/planned capital improvements
- G. Operating plan/schedule of upcoming work for next one to two years

A business plan should list a company's key managers and owners (along with their education, skills and experience, duties and responsibilities), its board of directors (with their affiliations and experience) and any outside consultants.

XI. Financial Data

- A. Financial history (last five years)
- B. Five-year financial projections (first year by quarters; remaining years annually)
 - 1. Profit and loss statements
 - 2. Balance sheets
 - 3. Cash flow chart
 - 4. Capital expenditure estimates
- C. Explanation of assumptions underlying the projections
- D. Key business ratios
- E. Explanation of use and effect of new funds
- F. Potential return to investors compared to competitors and the industry in general

These reflect, in dollar terms, a business' past and its expected future. Financial statements and projections must be consistent with descriptions elsewhere in the business plan, your marketing assumptions and strategy.

Business Registration

Your first step to doing business in New Jersey is deciding which form of business organization you wish to operate under. The specific choices are discussed later in this chapter. Regardless of which form you choose, you must file an Application for Registration (NJReg) with the New Jersey Division of Taxation even if you don't think you will be collecting or withholding taxes. There's no fee for registration, but you must file an application at least five business days prior to starting business. Registration is the state's way of making sure you receive all the forms and information you need to comply with New Jersey tax laws.

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Identification Number

Once you've registered, you will be assigned a 12-digit New Jersey Tax Identification number that will appear on all preprinted forms you receive from the Division. The first nine digits of the number usually correspond to your Federal Employer Identification Number. Be sure to include this number on all checks and correspondence you send to the Division.

Buying an Existing Business

Once you've registered, you will be assigned a 10-digit New Jersey Tax Identification number that will appear on all preprinted forms you receive from the Division. The first five digits of the number usually correspond to your Federal Identification Number. Be sure to include this number on all checks and correspondence you send to the Division.

To protect yourself from "inheriting" the tax liability of the previous owner(s), you must notify the Division of Taxation, Bulk Sales section by registered mail at least ten days prior to the purchase.

File Form C-9600, Notification of Sale Transfer or Assignment in Bulk. Form C-9600 can be obtained by writing:

New Jersey Division of Taxation
ATTN: Bulk Sales
P.O. Box 245
Trenton, NJ 08646-0245
Tel: 609-292-6604

To order the New Jersey Complete Business Registration Packet contact the Business Action Center at 866-534-7789.

Federal Tax Information

Each employer must apply for an Employer Identification Number (Form SS-4) to comply with regulations regarding federal income tax, social security and unemployment insurance. For federal business tax information, contact the Internal Revenue Service in your area or call toll-free 800-829-1040. Businesses that have received Form SS-4 and want to have the federal identification number issued over the phone, please call 800-829-4933 between the hours of 8:00 a.m. and 4:30 p.m. daily or log onto www.irs.gov.

Planning

Starting or running a business without proper planning is like driving from Boston to Dallas without a map. Planning shows the destination and the best road to get there. This information summary will provide an overview of planning and discuss how and why to prepare a business plan.

Why Planning is Critical

- Planning gives a path to follow.
- It makes future goals obtainable.
- It is the most important guide to starting, building and managing a successful business.
- It is the best tool available to help a small business raise money.

A business plan can be a communications tool for investors, suppliers, employees and others interested in understanding the operations and goals of your business.

If you do not plan for the success of the business . . . you will fail.

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Planning Can Be Difficult

Although planning is critical to success, it is often overlooked in favor of intuition or “gut feeling.” There are other obstacles that hinder planning, including:

- Lack of know-how. It is sometimes difficult to know how to plan and what to plan for.
- Fear of the unknown. It is hard enough dealing with the problems of today without worrying about what’s going to happen in the future.
- Inexactness. The best-set plans have a funny way of not working out exactly the way they are supposed to.

These obstacles are very real and must be overcome to achieve success. While it may be challenging to face the future, heading into it without any direction is much worse.

Registering a Trade Name and Incorporation

Trade Name

To register a trade name for partnerships and a sole proprietorship, contact the county clerk of the county in which the business will be located. If doing business under your own name, registration is desired, but not required. If trading under any name other than your own, registration is required by law.

Registration of your trade name in a county generally protects your trade name from use by other businesses in that county. Frequently, businesses that prefer not to incorporate simply register their business name in each of New Jersey’s 21 counties. However, if another business incorporates under your business trade name and adds “Inc.” to that trade name, your business name may not be protected.

Incorporation

Business owners have several options available to incorporate their business. You can download the application from the Business Portal at www.NewJerseyBusiness.gov. Complete the form and mail to:

New Jersey Department of Treasury
Division of Revenue/Business Service Bureau
PO Box 308
Trenton, NJ 08625-0308

The application can also be completed and submitted online from the Web site. The New Jersey Complete Business Registration Package can be downloaded online as well or ordered by calling the Business Action Center at 866-534-7789.

In order for a corporation to be considered operational, each corporation should obtain a corporate kit. These kits can be obtained from any stationery store. Kits include fill-in-the-blank by-laws, minutes, stock certificates, stock transfer ledger and the corporate seal. It is important that all pertinent information be added to all forms.

Formation of Partnerships

Persons organizing a partnership must file a certificate stating the firm’s name, the nature of the business and the names of the partners with the county clerk’s office in the county where the business will be physically located.

The filing fee will differ in each county and municipality. Similar certificates must be filed in the event of discontinuance, dissolution, or changes in the partnership.

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Regulations and Licenses

Municipal Concerns

Business owners should contact the municipality where the business is to be located to determine if the company needs to comply with:

- Local zoning ordinances
- Municipal tax obligations
- Local mercantile licenses
- Requirements to register a business

New Jersey License and Certification

Occupations and business activities often require some form of registration, license or certification by the state. The New Jersey Business Action Center serves as a clearinghouse for inquiries relating to licensing and registration requirements confronting persons who are considering entering various professions, occupations and business enterprises.

For a complete listing guide visit:

www.NewJerseyBusiness.gov or contact the New Jersey Business Action Center at 866-534-7789.

Marketing: The Pathway to Profits

Ask any businessperson the key to success and most likely, marketing savvy will be mentioned frequently. Marketing involves offering a needed product (or service), featuring it at a price that maximizes profit, identifying potential buyers and devising methods to efficiently sell to them. Marketing strategies usually revolve around the following:

Product - Exactly what is the business selling? How will it be developed? What range of materials and professionals will be necessary? How will the product/service be produced and its quantity and quality be maintained? List the product's features and benefits.

Price - How much will the business charge? What is the profit margin? You must decide if the business will offer volume discounts, seasonal markdowns, rebates, or other special pricing incentives. It's important to consider the break-even point when determining price such as the number of sales required to cover costs, including material, labor and overhead.

Promotion - How will the business let the public know it's in business and what it can do for them? What forms of advertising will be employed? When is advertising planned? How can the business generate word-of-mouth publicity? Aim promotional efforts at your most likely customers and tie your efforts into their buying habits.

Place (or Method of Distribution) - Where will the product be found? Can people purchase it in stores, through the mail, over the Internet, or will you deliver it to their doorstep? Will salespeople, distributors, or brokers be needed? Compare the advantages of selling wholesale versus retail.

Positioning - Why should customers buy from your company? Define what is unique about the product (or service) and what differentiates it. Study the competition carefully to find your niche. What can your business offer that others cannot?

Potential - As a new competitor, your market potential can be determined by analyzing the size of the market and how well existing firms are serving the overall customer base. What special group (or market segment) will be targeted?

Simply put, marketing comes down to understanding the relationship between a company's product, customers and competition. The time and effort invested in solid planning will produce results.

Trademarks and Copyrights

A trademark (sometimes referred to as a brand name or logo) is a word, name, symbol, device, or any combination thereof, used by a manufacturer or merchant to identify its goods or services and distinguish them from those manufactured or sold by others. When a mark is used with services, it is called a service mark.

Trademark rights are derived from use of a mark and mark owners may claim common law trademark rights from the time a mark is first used. However, common law rights only give the owner of the mark limited protection. A trademark owner may use a TM or SM symbol with their mark to indicate that they are claiming rights to it.

A trademark owner, who is using or has an intent to use his trademark in commerce that the United States Government regulates, such as interstate commerce or commerce with a foreign entity, may file an application for federal registration with the United States Patent and Trademark Office (USPTO).

Federal registration of trademarks is not a requirement; however, it is highly advisable since federal registration provides the owner with distinct advantages over owners of unregistered marks.

Registered trademarks serve as prima facie evidence of ownership, provide businesses or individuals the right to use or license their trademarks, allow trademark owners the right to sue for trademark infringement in the federal courts and allow owners to apply for trademarks in other countries based upon their U. S. registration.

The ® symbol may only be used if the USPTO has issued a federal registration. To file an application for federal registration, the trademark owner should visit the USPTO Web site at www.uspto.gov.

Owners may complete and file their trademark applications online using the Trademark Electronic Application System, (TEAS).

In addition, the USPTO's Trademark Electronic Business Center provides the user with general and specific information on trademarks, as well as the trademark registration process.

Users may even search the registered trademark database and check the status of pending applications at the USPTO at <http://tarr.uspto.gov/>.

After a trademark application is filed, it is reviewed by a trademark-examining attorney to determine if the mark may be registered. The examining attorney will perform a search to determine whether the applicant's mark is likely to cause confusion with other marks already protected by federal registration.

If a proposed mark passes the examination phase, it will be published in the Official Gazette of the Patent and Trademark Office. Those who believe they will be damaged by registration of the mark then have an opportunity to oppose the registration.

If no opposition is filed, then a registration certificate is issued. The registration procedure takes an average of 13 months. The registration may be renewed every 10 years as long as the registrant continues to use the mark and files the required documents and fees to maintain the registration. Information on the maintenance of federal trademark registrations may also be found at www.uspto.gov.

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Electronic correspondence with the USPTO is strongly encouraged.

For additional information on the trademark registration process, e-mail TrademarkAssistanceCenter@uspto.gov or call the USPTO Information Line and Trademark Assistance Center at:

Telephone: 800-PTO-9199

TTY: 571-272-9950

If an individual plans to file a trademark application, they or their representative should conduct a search of pending and registered trademarks to make sure that the mark is not already the subject of an application or registration.

General information regarding the USPTO may be obtained by writing to:

US Patent and Trademark Office
Commissioner for Trademarks
PO Box 1451
Alexandria, VA 22313-1451

Copyright Protection

Copyright is a form of protection provided to authors of “original works of authorship,” including original literary, dramatic, musical, artistic and certain other intellectual works, both published and unpublished.

The United States Copyright Office, a division of the Library of Congress, is responsible for the administration of federal copyright protection. Information on copyrights and applications for filing for copyright protection may be obtained from the United States Copyright Office.

202-707-5959 or 1-877-476-0778

The Web address for the Copyright Office is:
www.copyright.gov

The general mailing address is:

U.S. Copyright Office
101 Independence Avenue, S.E.
Washington, DC 20559-6000

Patents in Brief

A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office (USPTO). A patent gives the inventor the right to exclude others from making, using, or selling his invention within the United States, its territories and possessions for a limited amount of time.

Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States, or in special cases, from the date an earlier related application was filed.

There are three kinds of patents: (1) utility patents, granted to the inventor or discoverer of any new and useful process, machine, manufacture, composition of matter, or any new and useful improvement thereof; (2) plant patents, granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant; and (3) design patents, granted to anyone who invents a new, original and ornamental design for an article of manufacture.

General and specific information on patents may be obtained by visiting the USPTO Website at www.uspto.gov.

Applicants may perform online searches of the USPTO database, view patent guidance notifications and obtain answers to frequently asked questions. Applicants may also file applications for certain patents online by using the Electronic Filing System, EFS.

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Information on electronic filing can be found by visiting the Patent Electronic Business Center at www.uspto.gov/patents/ebc/index.jsp.

After a patent application is filed with the USPTO, the application will be assigned to a patent examiner. The examiners, who are experts in various fields of technology, will research previous patents and technical literature to determine whether a patent should be granted. The patent application and issuance procedure normally takes about 27 months.

If an individual plans to file a patent application, they or their representative should conduct a search of patents previously granted to make sure that the idea has not already been patented.

The USPTO strongly advises inventors to consult a patent attorney before attempting to file an application. Names of patent attorneys and agents may be obtained from the classified telephone directories in major cities, or from a directory published by the Government Printing Office.

For additional information on the patent process, call the USPTO Information Line and Patent Assistance Center at:

Telephone: 800-786-9199

TTY: 571-272-9950

General information regarding the USPTO may be obtained by writing to:

U.S. Patent and Trademark Office
Commissioner for Patents
PO Box 1450
Alexandria, VA 22313-1450

Reducing the Risk

Entrepreneurs should evaluate the following risks to determine whether or not they are starting out on sound footing.

Smart Risks:

1. Start a business you enjoy.
2. Overestimate your operating costs. It will be difficult to get another loan or a larger line of credit later because investors might assume you didn't do your homework thoroughly the first time.
3. Know your market and your competition.
4. Owners should pay themselves a salary they can afford. It may not be as high as desired but it should be adequate.
5. Never take the public for granted. Make service, integrity and honesty high priorities.
6. Establish and maintain an ongoing relationship with your banker. Always be on the lookout for sources of capital for future growth.
7. Assess the company's credit policy carefully. Realize that some customers won't pay on time and some won't pay at all.
8. Get professional help in preparing the business plan and cash flow chart.
9. Owners should hire people who have different skills, abilities and characteristics from themselves.
10. Define each employee's job and make sure everyone understands his or her obligations. Be willing to delegate.
11. Spend time researching and choosing a location.
12. Join clubs and associations for new businesses and muster support for your new enterprise.
13. Define your business goals and establish a time-management system.
14. Solicit the help of family, friends and colleagues.
15. Keep up with industry news by taking courses and by reading industry magazines and related publications.

Starting a Business

Foolish Risks:

1. Base the decision to become an entrepreneur solely on the ability of a venture to make money.
2. Pretend there are more start-up funds than you really have.
3. Assume that because your product or service costs less than your competition, people will flock to your door.
4. Self-paying a salary that exceeds the salary received while working for someone else.
5. Expect customer loyalty before it is earned.
6. Communicate with the bank only after running out of money and managing cash flow on an ad hoc basis.
7. Spend working capital down to the last dollar, expecting that people will pay you in time to cover your expenses.
8. Hire people who share your background and entrepreneurial ambitions. Hire a friend's friend or hire solely on the recommendation of another person.
9. Give employees no decision-making authority. But, if anything goes wrong blame them!
10. Rent expensive office space to impress your clients.
11. Assume that success was achieved independently and the support of friends and colleagues is no longer needed.
12. Assume that no one will know or that it does not make a difference if laws are obeyed.
13. Try to do everything yourself (no matter how much energy you have, or how clever you may be).

Forms of Business Organizations

Sole Proprietorship

This is a business where one person furnishes all the capital and assumes all the responsibilities for the business actions.

Partnership

After a businessperson has decided what kind of company they are going to start it may be necessary to bring in one or more associates in order to launch the company. The businessperson will need to decide whether the legal structure should be formed as a partnership or corporation.

In a partnership, the liability of each general partner for all the debts of the firm is unlimited, just as it is in a sole proprietorship. This generally means that each of the general partners is personally responsible for all the debts of the firm.

This amount could very easily be in excess of the amount they have invested in the business. A partnership, as does a sole proprietorship, lacks continuity. This means that the business terminates upon the death of the owner or partner, or upon the withdrawal of a partner. In some special situations, a limited partnership should be considered.

Remember that one of the principal causes of failure among businesses is inadequate financing, so don't overlook the fact that it is the businessperson(s) responsibility to provide or obtain sufficient money to supply a firm foundation for your enterprise. Should more money be required sharing the ownership of the business is one way of obtaining it.

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Some owners may lack certain technical or management skills that are of major importance to the business. A partner with these skills may prove the most satisfactory way of covering this deficiency.

Great care should be taken in selecting a partner. Compatibility, personality and character, as well as ability to render technical or financial assistance, all should be given serious consideration. Friendship is a wonderful thing, but friendship alone should not be the sole or determining factor in selecting a partner. The selection of a partner could well be one of the most important decisions an owner will have to make.

Base all decisions on logic and not on emotion. The act of any one partner, relative to the business, will bind the partnership and each partner for all their assets, whether or not they invested in this particular business.

Though it is not specifically required by law, it is strongly recommended that written Articles of Partnership be executed and that this agreement cover all the points suggested below.

It is extremely important that partners sign a written agreement if profits or losses are to be shared in any way, other than strictly according to the interest each partner holds in the business. A written agreement, properly drawn, can prevent misunderstandings among partners in later years. Verbal agreements are subject to different interpretations by well-intentioned people, especially after the passing of a few years' time.

Below is a list of some of the points that should be covered in a partnership agreement. Other points can be added to meet the needs of specific situations.

1. Name - Purpose - Where it will be located
2. Duration of the agreement
3. Authority and responsibilities of each individual partner (which partner supervises different employees, etc.)
4. Character of partners (general or limited, active or silent)
5. Amount to be contributed by each partner (at the beginning, or later)
6. Division of profits and losses (this is very important)
7. Salaries of each partner (whether guaranteed or not)
8. How much money/cash each partner may withdraw from the bank
9. Death of partner (dissolution and wind-down)
10. Sale of partnership interest
11. Arbitration of disputes (how disputes will be settled)
12. Required and prohibited acts
13. Absence and disability
14. Restrictive covenants
15. Buying and selling agreement



Starting a Business

Corporation

In a corporation, the liability of the owners is limited to the amount they pay for the shares of stock. A corporation is a legal entity and its continuity is unaffected by death or the transfer of shares of stock by any or all owners.

One disadvantage of most corporations is double taxation; income tax is levied upon corporate profits and, in addition, upon dividends after they are paid to the stockholders.

However, there is a certain type of corporation that is known as an "S-Corporation." S-Corporation profits are passed through to the individual stockholders, much the same way as in a partnership, thus there is no federal income tax to the corporation as an entity. There are many differences between C-Corporations and S-Corporations. One may be more advantageous for your business and should be discussed with a financial advisor.

Limited Liability Companies

The New Jersey Liability Company (LLC) Act, N.J.S.A. 42:2b-1, provides for the establishment of LLCs in New Jersey and makes many choices available to persons establishing an LLC as a business entity.

To form an LLC in New Jersey, one or more authorized person must complete a Certificate of Formation and file it with the Department of Treasury, Business Service Office (formally Commercial Recording).

Include in the certificate the name of the limited liability company, the name and address of the registered agent and the address of the registered office. The latest date of dissolution should be noted, if applicable, as well as any other matters the members decide to include in the certificate.

The certificate must include a statement that the LLC has one or more members and it may provide that the entity is formed at any date or time after filing specified in the certificate of formation.

An LLC formed under the Act is a separate legal entity and shall continue as such until cancellation of the LLC's certificate of formation. A foreign LLC must register with the Business Services Office before doing business in New Jersey.

Operating Agreement

Typically an LLC will be governed by an "operating agreement." The operating agreement or other written agreement may set forth details relating to membership, including relative rights, powers and duties (e.g., voting). It may also provide that the LLC is headed by a manager and may even provide for classes or groups of members in the manner provided in the operating agreement.

Advantages and Disadvantages of Different Forms of Business Organizations

The principal advantages and disadvantages of the three most commonly used business organizations are as follows:

Sole Proprietorship

Advantages

- Low start-up costs
- Greatest freedom from regulation
- Owner in direct control
- Minimum working capital requirements
- Tax advantage to small owner
- All profits to owner

Disadvantages

- Unlimited personal liability
- Lack of continuity
- More difficult to raise capital

Starting a Business

Partnership

Advantages

- Ease of formation
- Low start-up costs
- Additional sources of venture capital
- Broader management
- Limited outside regulation

Disadvantages

- Unlimited personal liability
- Lack of continuity
- Divided authority
- Difficulty in raising additional capital
- Hard to find suitable partners



Corporation

Advantages

- Limited liability
- Specialized management
- Ownership is transferable
- Continuous existence
- Legal entity
- Easier to raise capital
- Unity of action on account having centralized authority in board of directors

Disadvantages

- Closely regulated
- Most expensive to organize
- Charter restrictions
- Extensive record keeping necessary
- Double taxation, except when organized as an "S Corporation"
- Difficult to liquidate investment

New Jersey Tax Treatment

A Limited Liability Company formed under the New Jersey Act or qualified to do business in this state as a foreign limited liability company shall be classified as a partnership unless classified otherwise for federal income tax purposes, in which case the LLC will be classified in the same manner as it is classified for federal income tax purposes.

Thus, generally, an LLC will be treated as a partnership for New Jersey tax purposes and would therefore be required to follow the tax return filing requirements for partnerships in this state.

Individuals and corporations who are members of a limited liability company deriving income from New Jersey sources would typically file their own individual or corporate return with New Jersey reflecting their membership in the LLC.

Partnerships that are members would also make the appropriate New Jersey filing. A partnership or corporation converting to an LLC must file a new form REG-1 for registration with the New Jersey Division of Taxation.

The applicant LLC should include with its submission any available determination or verification of federal tax treatment of the entity.

For more information contact: New Jersey Department of Treasury, Division of Revenue, Client Registration Bureau at 609-292-9292 or visit www.NewJerseyBusiness.gov.

Starting a Business

Choosing a Location

One of the most important decisions for a business is the location. Today, with the aid of computers, potential sites can be scientifically evaluated before you invest.

Specific trade and zip code areas may be defined for both demographic data and lifestyle characteristics. This can give some comfort that the location selected will be in an area that conforms to the standards to meet a preferred customer profile.

To access New Jersey's site evaluator tool, as well as other location information, visit:
www.nj.gov/njbusiness/home/location.shtml.

Homework is a must regarding the future of a site. Going to the zoning and planning department(s) in the selected area(s) is the first thing a business should do to ascertain a five- year and sometimes a ten-year projection of the area(s) surrounding the site(s).

Secondly, do surveys, talk to people, get to know all about the site before making that long-term decision.

Whether the company's financial situation indicates the need to buy or lease land, building and equipment, it is important to seek professional assistance to carry through the site selection and negotiation processes.

General Questions to Ask:

1. Is the site centrally located to reach my market?
2. What is the transportation availability and what are the rates?
3. What are provisions for future expansion?
4. What is the housing availability for managers and workers?
5. What environmental factors (schools, cultural, community atmosphere) might be attractive to the business and employees?
6. What will the quality of this site be in 5 years, 10 years and 25 years?
7. Would my major competitor choose this site?
8. Is quality labor available in close proximity to site? Is public transportation available?
9. Is parking space available and adequate?
10. Is the facility easily accessible?
11. Will crime insurance be prohibitively expensive?
12. Is the location convenient to where you live?

Determination of Business Name & Its Registration

The first step towards starting a business involves deciding the legal form of your business. The following are possible scenarios:

- ☐ A sole proprietorship or general partnership will generally use a "trade name." If you intend to do business under your own name, then no trade name registration is required. Registration is only considered advisable. If you intend to operate a Sole Proprietorship or General Partnership using a business name, then you must contact the County Clerk's Office of the county in which the business will be located for registering a trade name. This registration at the county level is compulsory. The registration protects that name from use by other businesses within that county. If you are interested in reserving the trade name in other counties then you must register that name in those counties as well. To protect the name statewide you should register the name in each of the State's 21 counties.

Starting a Business

- If your business is going to be a Corporation, a Limited Liability Company (LLC), or a Limited Liability Partnership (LLP) then you must Register a New Business Entity with the Division of Commercial Recording, New Jersey Department of Treasury. You can take advantage of New Jersey's easy to use online services to register your business entity by visiting www.NewJerseyBusiness.gov and clicking on the "Starting a Business" tab. You can also contact the division directly at Division of Commercial Recording, PO Box 308, 33 West State St., Trenton, New Jersey, 08625-0308 or call 866-534-7789.

Registration of the Business

All businesses must "Register for Tax and Employer Purposes" with the New Jersey Division of Revenue, regardless if they plan on collecting sales tax or having employees. You may now register your business for taxes and employer contributions for unemployment and disability, online at www.NewJerseyBusiness.gov and clicking on the Starting a Business Tab. You may also contact the Division of Revenue, Client Registration Bureau by calling 866-534-7789.

The IRS will allow a sole proprietorship or a single member LLC with no employees to use the owner's social security number for federal tax purposes. However other business entities and all businesses with employees are required to obtain a Federal Employee Identification Number (FEIN) from the IRS. You can obtain a FEIN by filing a form SS-4 with the IRS or by visiting the IRS Web site at www.IRS.gov.

Taxation

All businesses must pay taxes. When you register your business, the State of New Jersey will send pertinent forms and information necessary for compliance with the New Jersey tax laws. It is important to include either a social security number or a Federal Employer Identification Number (FEIN) on all returns, checks, and other correspondence sent to the State of New Jersey.

Local Permits & Other Regulations

All businesses should contact the municipality and county in which the business is located to determine if there are any local regulations to which the business must adhere. Also check whether any permits are required for your business to operate.

Business Licenses and Certification

Depending on the nature of your business, the State of New Jersey may require that you either obtain a license, certification, or registration. The New Jersey Online License & Certification is available online at www.NewJerseyBusiness.gov.

This site lists various types of businesses and their requirements. You can also contact the Business Action Center at 866-534-7789 to obtain license/certification information.



Starting a Business

Employee Related Issues

If you have at least one employee, you are required to address the issue of employer insurance. Information on employer insurance and other responsibilities can be found at www.NewJerseyBusiness.gov. Just click on Workforce Training and Programs for a list of Employer's Responsibilities. You may also contact the following departments for information on your insurance responsibilities:

☐ Unemployment Insurance:

If you have at least one employee, registration is required with the Division of Employer Accounts, New Jersey Department of Labor and Workforce Development, PO Box 913, Trenton, New Jersey 08625-0390. For information in North Jersey call (Newark) 973-648-4109, in Central Jersey (New Brunswick) 732-418-3331, and in South Jersey (Camden) 856-614-3764.

☐ Workers' Compensation Insurance:

Information regarding Workers' Compensation accidents may be obtained by contacting the Division of Workers Compensation, New Jersey Department of Labor and Workforce Development, PO Box 381, Trenton, New Jersey 08625-0381, 609-292-2515. For coverage information, contact your insurance provider, or the Compensation Rating and Inspection Bureau at 60 Park Place, Newark, New Jersey 07102, 973-622-6014.

Additional Requirements for Out-Of-State Firms

If you are not located in the State of New Jersey but intend to start your business here, there are some additional requirements that you need to fulfill:

☐ Corporations, LLC and Limited Partnerships:

It is necessary to register a new business entity and register for tax and employer purposes, but you will be registering as a "Foreign" Corporation, LLC, LLP or LP.

☐ General Partnerships and Sole Proprietorships:

It is necessary to obtain a "Trade Name Certificate to Operate" from the Clerk in each county where business will be conducted. You will also need to Register for Tax and Employer Purposes.

☐ Out-of-State Payroll Record keeping:

A permit must be acquired from the Division of Workplace Standards, Office of Wage and Hour Compliance, New Jersey Department of Labor & Workforce Development, 609-292-7860.



Section 2: Costs of Doing Business

New Jersey Sales Tax

A registered business that will be collecting sales tax, remitting use tax, or exemption certificates, will receive a Certificate of Authority for Sales Tax by mail. The Certificate permits a business to collect sales tax and to use exemption certificates. It must be displayed prominently at the place of business.

Buying for Your Business - Using Exemption Certificates

When you buy materials (inventory) for resale, or materials which will become part of the product sold, businesses are not required to pay sales tax—provided they issue a New Jersey Resale Certificate (Form ST-3) to the supplier.

Certain production machinery and most packaging supplies are exempt from sales tax because of their intended use. You may use an Exempt Use Certificate (Form ST-4) when purchasing these items and pay no sales tax. Other common uses of the Exempt Use Certificate are listed on the back of the certificate.

NOTE: There are special exemption certificates for use by registered exempt organizations (FORM ST-5) and contractors doing work for exempt organizations (Form ST-13).

Selling Your Product – Collecting Sales Tax

If selling taxable items or services in New Jersey, businesses are required to collect a 7 percent sales tax and remit it to the state. Businesses should not collect tax if the purchaser issues you a valid New Jersey exemption certificate or if your product is delivered to the buyer out-of-state.

If you are unsure whether an item you are planning to sell is taxable, information on the taxability of intra/inter-state sales is available by calling the New Jersey Business Action Center 866-534-7789.

Filing Sales Tax Returns

You must file a New Jersey Sales and Use Tax Quarterly Return Form (ST-50) every three months, even if in that particular quarter no tax was collected. Businesses that collect a sales tax more than \$500 per month must also file monthly returns (Form ST-51).

NOTE: Seasonal businesses are required to file both monthly and quarterly returns for the period of time in which they conducted business, regardless of the amount of tax due.

Income Tax Withheld

Employer Responsibilities

Employers are required to withhold New Jersey State income tax from the wages of your employees (except Pennsylvania residents). The withheld tax must be remitted to the Division of Taxation on a weekly, monthly or quarterly basis. Withholding rates range from 1.5 percent to 7.0 percent.

All employers must file a quarterly return of tax withheld (Form NJ-941 or NJ-941-W) no later than the last day of the month following the end of each calendar quarter. An employer with a prior year liability of \$20,000 or more for employer income tax withholdings is designated a “weekly payer,” and must remit payment of withholdings by Electronic Funds Transfer (EFT).

Costs of Doing Business

Tax is due on or before the Wednesday of the week following the week containing the payday(s) on which the taxes were withheld. Taxpayers not required to remit tax as weekly payers must remit withheld taxes monthly, using Form NJ-500, if the amount withheld in either of the first two months of a calendar quarter is \$500 or more.

Amounts less than \$500 may be included with the quarterly return. When required, payments are due by the 15th day of the month following the month in which the tax was withheld. Tax due for the third month of the quarter is remitted with the quarterly return. You will receive the necessary forms, withholding tables and instructions once you have registered.

Are You an Employer?

An employer is any person or organization (including organizations that may be exempt from federal income tax or New Jersey corporate business tax, such as religious or charitable organizations and governmental agencies) for whom an individual performs a service as an employee.

An employer usually provides the employee with a place to work and the necessary tools to perform the services for which they are hired. An employer has the right to set work hours, assign tasks, specify the methods used to perform those tasks and fire the worker. An employer must withhold income tax from wages paid to an employee but does not generally withhold income tax on payments to self-employed individuals.

Who is an Employee?

An employee is an individual who performs services for a person (or organization) with whom he has established the legal relationship of employer and employee. In general, anyone who performs a service is an employee. The employer can control what will be done and how it will be done.

If there is any doubt as to whether an employer/employee relationship exists, the entire relationship between worker and employer must be examined and consideration given to all aspects of the relationship, including any special circumstances that may exist in that particular case.

If an employer/employee relationship does exist, it does not matter that the employee is called an "independent contractor," "agent," or "partner."

As a rule, people who are in business for themselves (e.g., doctors, lawyers, construction contractors and others engaged in an independent trade or profession offering their services to the public) are not employees. A sole proprietor or a partner in a partnership is never an employee of his or her own business. However, in some cases, an officer of a corporation may be an employee of the corporation. If you are in business for yourself, it is likely that you are self-employed for New Jersey income tax purposes.

Federal "Statutory" Employees

The Federal designation of "state employee" has no meaning for New Jersey income tax purposes. If, under New Jersey law, an employer/employee relationship exists between the payer and the recipient of compensation subject to New Jersey gross income tax, the recipient is considered an employee and the payer must withhold New Jersey gross income tax.

Costs of Doing Business

Pennsylvania Residents Working in New Jersey

Employers are not required to withhold New Jersey income tax from an employee who is a Pennsylvania resident if that employee completes a Certificate of Non-residency in New Jersey (Form NJ-165). For information about withholding Pennsylvania personal income tax, write to:

Pennsylvania Department of Revenue
Information Services Division
Box 8056, Strawberry Square
Harrisburg, PA 17105
or call 717-787-8201.

Wage and Tax Statements for Your Employees

Employers must furnish two copies of the Wage and Tax Statement (W-2) to each employee from whom any amount of income tax was withheld or would have been withheld under the withholding tables and methods issued by the Division of Taxation.

New Jersey law also requires the inclusion on the W-2 of the separate amounts deducted and withheld as worker contributions due State Disability Insurance, Workforce Development and Healthcare.

In addition, employers must file a reconciliation of New Jersey Gross Income Tax Withheld (Form NJ-W-3), along with Copy 1 of the W-2, with the Division of Taxation on or before February 15th following the close of the calendar year.

A Reminder

Sole proprietors and partners must report the net income from their business on the New Jersey Gross Income Tax Return. Declarations of Estimated Tax (NJ-1040-ES) must be filed quarterly if you estimate your New Jersey income tax liability to be \$100.

For forms or information, call Taxation's Automated Tax Information System at 800-323-4400. To speak to a Division representative, call the Tax Hotline at 609-292-6400 or write to:

New Jersey Division of Taxation
Technical Services
PO Box 281
CSB/I&P
Trenton, NJ 08695-0281

Tax Information Packet

A packet is available that includes the information needed to register your business with the New Jersey Division of Taxation. Descriptions of all state taxes are included. Employers can avoid future tax problems by knowing what the business tax responsibilities are and how to best meet them. For details or questions, call the Tax Hotline at 609-292-6400 or toll-free at 800-323-4400.

Insurance

There are certain types of insurance that all small businesses should have such as fire, general liability, automobile liability, automobile physical damage and automobile collision. If the business has employees, additional insurance is required: unemployment, disability, workers' compensation and employer liability.



Costs of Doing Business

Employee life and health insurance are optional. Other important insurance coverage includes fidelity bonds, surety bonds, income insurance, property insurance (often referred to as casualty insurance) and business interruption insurance. Depending on your type of business, there are other forms of insurance coverage available. Check with your insurance agent to see what is applicable to you.

New Jersey Individual Health Coverage Program
and Small Employer Health Benefits Program
20 West State Street, 10th Floor
P.O. Box 325
Trenton, NJ 08625-0325
Tel: 609-633-1882 ext. 50302 or ext. 50306

Health Insurance

The state has taken dramatic steps to make health insurance more accessible and affordable for New Jersey employers.

Since new laws took effect in 1994, health insurance coverage for self-employed individuals has been offered on a guaranteed issue, guaranteed renewable, community rated basis. Coverage for small business employers with 2-50 employees working 25 hours per week or more has been offered on a guaranteed issue, guaranteed renewable, modified community rated basis.

This means that self-employed individuals and small business employers can obtain and keep good, affordable health coverage regardless of their own or their employee's health status, age, or claims history.

The state distributes free Buyer's Guides, which describe the plans available and answer commonly asked questions to help employers shop for health coverage. Buyer's Guides, premium rate information and a list of participating carriers and their toll-free numbers may be obtained by calling:

- Individual Health Coverage Program (Self-employed individuals): 800-838-0935
- Small Employer Health Benefits Program: 800-263-5912
- Or on the Web site at www.NJDOBI.org.

Employers with 20 or more employees, who offer health benefits to their employees, must also offer continuation of coverage under federal law, commonly referred to as "COBRA." State continuation of coverage is available to employees of small business employers (2-19 employees) who are not subject to COBRA. Pursuant to New Jersey law (N.J.S.A. 17B: 27A-27), small business employers must offer employees the option to continue their group health coverage when an employee is terminated, goes to part-time status, or ends employment.

Employee Insurance

Unemployment Compensation

Employers of one or more persons, with certain exceptions, are required to participate in the federal-state program to provide unemployment insurance for idled workers. In New Jersey, employers are liable for worker contributions that may be withheld from wages. Contributions must be reported and paid every three months to the New Jersey Employment Security Agency. For information call 609-292-2638.

Costs of Doing Business

Temporary Disability Insurance

Employees subject to New Jersey Unemployment Compensation Law must also observe provisions that provide protection for workers disabled because of injuries and illnesses due to non-occupational sickness or accident.

Employers may select coverage under the state plan or a private plan. Private plans are supervised by the Department of Labor and Workforce Development.

The state plan, which is similar to the unemployment compensation program, requires contributions to be made by employers and covered workers into the State Disability Benefits Fund. Reports and contributions are remitted quarterly to the New Jersey Security Agency. All employing units, whether subject to the contribution provisions or not, are required to file status reports with the Department of Labor and Workforce Development, Office of the Comptroller.

Workers' Compensation Insurance

All employers in New Jersey must provide workers' compensation insurance for their employees prior to the beginning of work. The exception is "casual employment," which is a job done under circumstances rare in this state.

Also, certain occupations are covered under federal law rather than state law. Workers' compensation benefits include cash payments and medical or hospital services provided to workers or their families (in case of death) who sustain a job-related injury or illness.

There is no cost to the workers in the form of salary deductions. The Division of Workers' Compensation administers this program and maintains a system of administrative courts to provide hearings and adjudication of workers' compensation claims. The state offers no insurance itself.

Employers may obtain coverage from any private company authorized to write workers' compensation or employer liability insurance in New Jersey. This insurance may be obtained through private insurance brokers or agencies.

For further information contact:

Department of Labor and Workforce Development
Division of Workers' Compensation
P.O. Box 381
Trenton, NJ 08625-0381
609-292-2515

Entrepreneurial Training Program Available to Dislocated Workers

Unemployed individuals interested in starting their own business and becoming self-employed may apply to the New Jersey Self-Employment Assistance and Entrepreneurial Training (SEA) Program which is administered by the New Jersey Department of Labor and Workforce Development, Division of Employment and Training. This program offers qualified dislocated workers the following benefits:

- A waiver of the unemployment active search for work requirement
- SEA allowances, in lieu of regular unemployment insurance benefits
- Counseling and technical assistance on developing a business plan
- Training grant for entrepreneurial training

Costs of Doing Business

For further information, visit or call the nearest state employment service office listed in the phone book under State of New Jersey, Labor Department, or visit www.wnjp.in.state.nj.us.

Record Keeping

What Should I Know About Accounting and Bookkeeping?

The importance of keeping adequate records cannot be stressed enough. Without records, you cannot see how well your business is doing and where it is going. At a minimum, records are needed to substantiate: your tax returns under federal and state laws, including income tax and Social Security laws; your request for credit from vendors or a loan from a bank; and your claims about the business, should you wish to sell it. Most importantly, you need records to run your business successfully and to increase your profits.

How Do I Set Up the Right Record-Keeping System For My Business?

The kind of records and how many you need depend on your particular operation. Your accountant can provide you with many options.

What Financial Statements Will I Need?

You should prepare and understand two basic financial statements: (1) the balance sheet, which is a record of assets, liabilities and capital; and (2) the income (profit and loss) statement, a summary of your earnings and expenses over a given period of time. However, arguably the most important financial statement is one that shows cash inflows and outflows. Always remember—you can only spend cash, not profits.

Professional Help

We cannot be experts in all fields. Your attorney is by training and experience the best possible source of assistance in matters of law and statutes regarding business. A qualified legal advisor is essential to any business and will be necessary to your business as it prospers.

An accountant, like the lawyer, is your best ally. He/She is the expert source for advice on taxes and in making you aware of the health of the business.

His/her expertise should be explored in providing aid for record keeping, finances, profit or loss and tax matters. A bookkeeper can provide much valuable advice on similar subjects, but does not have the in-depth training and experience to aid larger businesses whose finances and tax reporting are usually too complex for a bookkeeper's expertise and whose domain is normally confined to record keeping.



Costs of Doing Business

Other Employee Issues

As an employer in New Jersey, you will be subject to a number of state regulations, many of which come under the jurisdiction of the Department of Labor & Workforce Development. The next page summarizes the major requirements and are grouped by area of interest. The name of the administering division may be obtained by contacting these divisions directly through their offices.

New Jersey Department of Labor and Workforce Development
Trenton, NJ 08625
609-695-9045

Wages And Working Conditions

Payment of Wages - All employers must pay wages to all employees in full at least twice a calendar month. Provisions are to be made for cashing of payroll checks. No deductions shall be made from employee's wages except for state or federally mandated deductions or amounts authorized by employees, either in writing or under a collective bargaining agreement.

Discrimination In Wages - Employers are not permitted to discriminate in the rate or method of payment of wages because of the sex of the employee.

Worker Health and Safety - This area is now within the province of the federal Occupational Safety and Health Administration (OSHA). However, the Department of Labor & Workforce Development operates a free on-site consulting and advisory service to assist employers complying with federal regulations.

Overtime - Overtime is paid at the rate of time and a half after 40 hours of actual work in a 7 day workweek with the exception of certain salaried employees who meet the definition of an executive administrator or professional. Overtime is not required for work on holidays or weekends only for work over 40 hours. Overtime is only paid for actual work time so if you work 40 hours and are being paid 8 hours of holiday pay all that pay can be straight time.

Employers may require workers to work overtime (exempt for special regulations that apply to health care workers).

Benefits - Employers are free to set hours of work, the number or frequency of breaks including meal breaks, (except when the employee is under 18 year of age). They are not required to provide paid sick time, holidays or snow days.

Termination - Generally, employers may terminate employees at any time without notice or reason, and are not required to pay severance. The Department of Labor & Workforce Development may intervene if the termination is a result of the employee filing a wage complaint against the employer. Termination may also violate law if the termination constitutes discrimination.

For specific information pertaining to payment of wages, discrimination in wages or worker health and safety, please contact:

The Division of Workplace Standards
609-292-2313

Costs of Doing Business

Industrial Site Recovery Act- ISRA

Recovery Act

A business planning to buy land to build offices, homes or a commercial facility on a former industrial site should know what is above and below the ground. Business that are considering buying another company's operation must be willing to assume the liabilities for past improper handling of hazardous materials. These liabilities for cleanup and damages may far surpass the value of the operation.

Owners may find it increasingly difficult to borrow the funds from mortgage lending institutions to buy that plant or site for expansion because property used for collateral may have been rendered worthless due to the discovery of environmental contamination.

Today, environmental lawsuits are common. State and federal governments and the courts take an increasingly tough stance against those responsible for the existence of contamination, which can mean the difference between being considered innocent or being considered responsible for millions of dollars in damages and cleanup costs.

New Jersey offers the nation's model buyer protection program for a wide variety of manufacturing operations covered by the state's Industrial Site Recovery Act (ISRA).

Buyers and lenders are assured that any New Jersey industrial operation subject to ISRA be fully evaluated for contamination, above and below the ground.

Under ISRA, any environmental contamination, which poses a risk to public health and the environment, will be required to be identified and remediated by the seller.

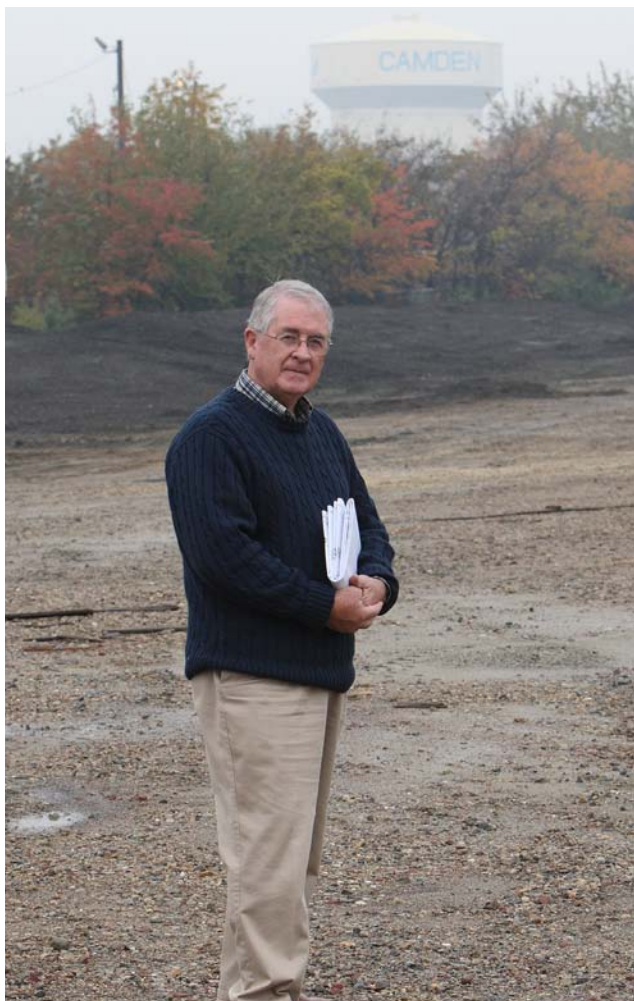
This type of buyer protection program has been the norm for years in residential and commercial applications in termite, electrical, sewage and plumbing inspections. It is crucial that potential buyers and lenders know that what they are buying is a fair return for their investment.

New Jersey's ISRA goes the next step in responding to the realities of industrial society and is designed to ensure that sellers do not leave behind more than the buyer bargained for.

New Jersey's ISRA Program

609-984-1351

www.state.nj.us/dep/srp/index.html



Section 3: Financial Information

Small Business Start-up Money

Raising Money

One key to a successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities. But as many entrepreneurs quickly discover, raising capital may not be easy.

It can be a complex and frustrating process. But if the entrepreneur is informed, well prepared and has planned effectively, raising money for the business will not be a painstaking experience.

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

Where To Find The Money You Need

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

Personal Savings - Most new businesses are started with the primary source of capital coming from personal savings and other forms of personal equity.

Friends and Relatives - Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. In many instances, money is lent at no interest or with low interest, which can be beneficial when getting started.

Venture Capital Firms - These firms provide start-up and other needed money for new companies in exchange for equity or part ownership.

Banks and Credit Unions - The most common source of funding, banks and credit unions, will provide a loan if it can be shown that your business is sound.

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

Banks are in the business to make money and the way they make money is by lending money. However, it is the inexperience of small business owners in financial matters that prompts many small business loan requests to be turned down.

To be successful in obtaining a loan, be prepared and organized. You must know exactly how much money you need, why it's needed and how it will be paid back. Borrowers must be able to convince a lender that they are a good credit risk. Requesting a loan when not properly prepared makes a statement to the lender. That statement is "High Risk!"

Types of Business Loans

Short-Term Loans - Loans that are paid back in less than one year. Types of short-term loans include:

- Working Capital Loan
- Accounts Receivable Loan
- Line of Credit (Revolving Credit Line)

Long-Term Loans - Loans with maturities greater than one year but usually less than seven years. These loans are used for major business expansions, purchases of real property, acquisitions and in some instances start-up costs. Types of long-term loans include:

- Personal Loan
- Commercial Mortgage
- Term Loan

Financial Information

How To Write A Loan Proposal

A loan approval request depends on how well the businessperson presents themselves, the business and its financial needs to a lender. Remember, lenders want to make loans but they want to make good loans, loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written loan proposal. A good loan proposal will contain the following key elements:

General Information

- Provide the business name, address, names of principals and the social security number of each principal.
- State the purpose of the loan and provide exactly what the loan will be used for and why it is needed.
- Provide the amount required in the exact amount needed to achieve your purpose.

Business Description

- Give the history and nature of the business with details of the business's age, number of employees and current business assets.
- Provide details on the ownership structure (the company's legal structure).

Management Profile

- Develop a management profile detailing the responsibility of each principal staff member.
- Include the individual's background, education, experience, skills and accomplishments.

Market Information

- Provide a clear definition of the products and markets.
- Identify competition and explain how the business competes in the marketplace.
- Profile the company's customers and explain how the business can satisfy their needs.

Financial Information

- Provide financial statements including balance sheets and income statements for the past three years. If just starting out, provide a projected balance sheet and income statement.
- Prepare a personal financial statement on yourself and other principal owners of the business.
- List all collateral that could be pledged to the bank as security for the loan.

How a Loan Request Is Reviewed

A loan officer's primary concern when reviewing a loan request is whether or not the loan will be repaid. To help answer this question, many loan officers will order a copy of your business credit report. Using the credit report and the information you have provided, the lending officer will consider the following:

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

How Much Money To Borrow

Once the building and equipment needs have been met, the business owner(s) must have enough money on hand to cover operating expenses for at least a year. These expenses include salaries and money to repay the loan.

One of the leading causes of business failure is insufficient start-up capital. Consequently, business owners should work closely with your accountant to estimate cash flow needs.

Alternatives to Financing a Business

Committing personal funds is often the first financing step. It is certainly the best indicator of the owner's seriousness about the business. Risking personal money gives confidence to others investing in the business.

While banks are an obvious source of funds, consider a partner for additional financing. Other loan sources include commercial finance companies, venture capital funds, local development companies and life insurance companies. Trade credit, selling stock and equipment leasing offer alternatives to borrowing.

Getting a Loan

Initially, the lender will ask four questions:

- How much is the borrower requesting?
- Purpose of the loan?
- Method of repayment?
- How will the loan be collateralized?

When you apply for a loan, provide projected financial statements along with a clear business plan that supplies the name of the firm, location, production facilities, legal structure and business goals. Refer to Section 1 for details.

A clear description of your experience and management capabilities, as well as the expertise of other key personnel, will also be needed.

Selecting and Developing a Relationship with a Bank

When business owners have trouble with banks the major problem is generally communication. It's important that bankers be informed about the business and it's equally important that business owners be informed about a bank's policies and procedures.

Open communication with the bank cannot be overemphasized. A well-informed banker may anticipate needs and be able to react quickly to a request. In a problem loan situation the banker may be more likely to work with the borrower than in a situation where communication has been absent.

Business owners and bankers should meet to discuss what is needed and expected by each party.

Laying "Free Money" Rumors to Rest

Be aware of advertisements or programs from so-called experts that offer "insider information" on financing a business with claims the state government or other public organizations have funds in the form of grants or extremely low-rate loans are available to the following groups:

- Individuals who want to open a business
- Companies in severe financial trouble
- Minority, women, or foreign-born entrepreneurs

Financial Information

The “insider information” is usually no more than common business guidelines and a list of government agencies that can be found in a library, telephone book, or on the Internet.

Once a person begins calling these numbers to request money they quickly find out that the programs often have been misrepresented.

The simple truth is that business owners usually must meet stringent criteria to secure private or public financing. Most qualifications for capital revolve around having a sound business plan, healthy financial statements, personal investment, business experience and substantial collateral.

State Programs of Financial Assistance

New Jersey Economic Development Authority Overview

Whether a business is in need of financing to expand operations, market a new product or build a larger facility; a municipality seeking to attract a major corporation to its community; or a developer or non-profit organization needing funds for a major redevelopment project, the New Jersey Economic Development Authority (EDA) is ready to put its resources to work.

EDA is a state agency whose mission is to stimulate business development, job creation and community revitalization throughout the state. The authority assists small, mid-sized and large businesses, not-for-profit and community development organizations to build facilities, purchase equipment and develop new products and services while offering incentives that encourage companies to expand in New Jersey and invest in economically depressed areas.

EDA assists a variety of industries and business sectors and works closely with banks, private investors, underwriters and other sources of capital to help businesses and other entities finance projects.

Through a wide array of financing resources, and technical support, EDA has helped to strengthen and grow New Jersey’s economy.

For an overview of all the assistance available through EDA and other state agencies, visit www.NewJerseyBusiness.gov or call the Business Action Center at 866-534-7789.

Business Incentive Grants

Business Retention and Relocation Assistance Grant (BRRAG)

BRRAG preserves jobs from being relocated out of state.

BRRAG offers grants as credit against business tax liability. Grant values cannot exceed 80 percent of tax payments to the state. The BRRAG Tax Credit Transfer allows for the sale of unused tax credits.

New Jersey also has a Sales and Use Tax Exemption that can be used in combination with BRRAG. It allows sales tax exemptions on the purchase of fixtures, furniture, building materials and equipment needed for business relocation.



Financial Information

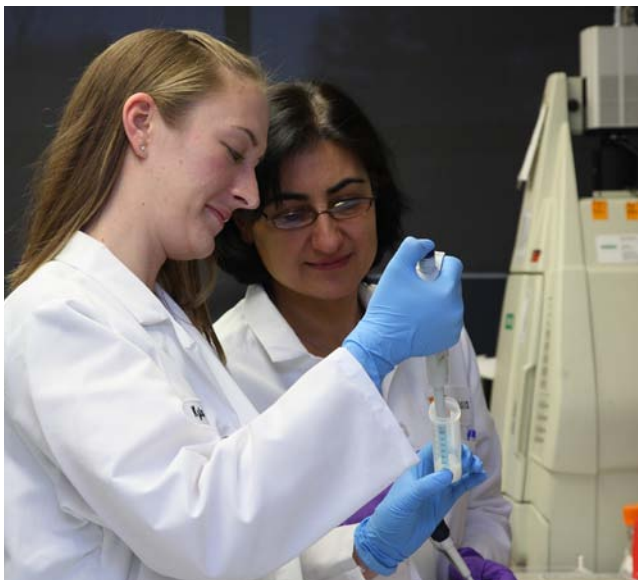
Business Employment Incentive Program (BEIP)

BEIP is the incentive tool for encouraging business to locate and expand in New Jersey. Businesses that execute agreements under the program and create jobs receive annual grants based on the number of new jobs that have been created in the State of New Jersey.

BEIP grants may run up to 10 years and can equal 10 percent to 80 percent of the total amount of state income taxes generated by the grantee's newly created jobs during the calendar year.

To qualify, a business must demonstrate that the BEIP grant is a "material" factor for expanding or relocating jobs in New Jersey, that it is financially viable and that it will create a minimum of 25 new jobs or 10 new jobs if the business is within the high tech or biotechnology industries.

For more information on BEIP and BRRAG grants and other programs available to businesses visit www.NewJerseyBusiness.gov or call the Business Action Center at 866-534-7789.



Low-Interest Financing Opportunities

New Jersey, through the EDA, offers a variety of low-interest financing options to suit the needs of business, developers and not-for-profits.

Financing opportunities include low-interest loans, loan guarantees plus tax-exempt bonds to support small, mid-size and large businesses, not-for-profit and community development organizations that build facilities, purchase equipment and develop new products and services. Opportunities are available to a broad spectrum of businesses, including manufacturers, technology-based enterprises, services, logistical operations and tourism and arts-related organizations, among others.

The EDA also partners with private banks as well as the U.S. Small Business Administration (SBA) and other lenders to offer low-interest financing packages and works closely with applicants to enhance access to capital to meet their financing needs.

The Edison Innovation Fund

The Edison Innovation Fund provides an integrated set of resources to support life science and technology initiatives throughout the stages of discovery, development and commercialization. The Fund was designed for companies involved with developing renewable energy solutions, medical devices, healthcare, information technology, stem cell research, nanotechnology, and telecommunications.

Financial Information

State Resources for Brownfields Redevelopment

Brownfields and Contaminated Site Reimbursement Program (BCSRP)

BCSRP provides financial incentives for businesses and developers to clean up and redevelop polluted sites.

Eight state taxes, including sales, business use and corporate taxes are eligible to be used to reimburse the developer for remediation costs. The BCSRP also allows for the reimbursement of sales taxes associated with the purchase of building materials. Because reimbursement is based on tax collections, there is no financial limitation on the total amount to be recovered.

Brownfields Restoration Low-Interest Financing Programs

Low-interest financing is also available to developers, businesses, municipalities and community groups at various stages of the Brownfield restoration process. Developers and business owners who have signed a Brownfields and Contaminated Site Reimbursement Program agreement are eligible for this program.

Interim financing is provided to eligible borrowers for meeting the costs of the remediation of a Brownfield site. The loan must be paid once reimbursements have been received by the borrower under the Brownfield Reimbursement Agreement.

Brownfield Redevelopment Loan Fund

The New Jersey Brownfields Redevelopment Loan Fund provides low-interest loans to municipalities and developers for remediating Brownfields so they may be developed for uses that benefit the community and its tax base. Eleven municipalities (Asbury Park, Camden, Elizabeth, Long Branch, Neptune, New Brunswick, Paterson, Perth Amboy, Plainfield,

Pleasantville and Vineland) have access to financial assistance from the initial \$2 million in funding that has been provided through a grant from the U.S. Environmental Protection Agency. Eligible projects are being funded on a first-come, first-serve basis.

To learn more about the Brownfields reimbursement, loan programs and other programs available to businesses visit www.NewJerseyBusiness.gov or call the Business Action Center at 866-534-7789

Investigation and Remediation

New Jersey also offers financing assistance to municipalities, developers, businesses and homeowners to investigate or remediate sites suspected of or known to have discharges of a hazardous substance.

Businesses may qualify for low-interest loans of up to \$1 million for up to 10 years. Municipalities may qualify for up to \$2 million per year for properties they own or for which they hold a tax certificate and have a comprehensive plan or realistic opportunity to develop or redevelop within three years.

Interim financing is also available for up to \$750,000 for up to three years at below-market interest rates to developers/business owners for meeting the costs of brownfield site remediation.

Borrowers must have signed a Brownfield Reimbursement Agreement. Anticipated reimbursements must be pledged to pay principal and interest on the EDA loan.

For information on EDA redevelopment resources, visit www.NewJerseyBusiness.gov or call 866-534-7789.

Financial Information

New Jersey Department of Environmental Protection

Hazardous Discharge Site Remediation Fund (HDSRF)

Loans

Loans are available to businesses or homeowners who cannot obtain funding from another lending institution for 100 percent of the cost to remediate a discharge of hazardous substances up to \$1 million per year, per site. The interest rate is 2 points below the Federal Discount Rate with a minimum of 5 percent, which is determined by the New Jersey Economic Development Authority (NJEDA). The maximum loan term is 10 years.

Grants

There are three categories of grants: innocent party, innovative technology and limited restricted/unrestricted use. Eligibility for a grant is not contingent upon the inability to obtain funding or any hardship.

Innocent Party Grants are available to any party who meets the following criteria:

- Having acquired the property before Dec. 31, 1983
- Not having used the hazardous substance found at the site and
- Not having discharged the hazardous substance found at the site

If a party meets these criteria, they would be eligible for 50 percent of the total costs of the remediation, up to \$1 million. The additional 50 percent can be obtained from the Hazardous Discharge Remediation Fund (HDSRF) through a loan or outside conventional financing.

Innovative Technology Grants are available to any qualifying person, who has a net worth of not more than \$2 million and received the approval of the New Jersey Department of Environmental Protection for a proposed innovative technology. If a qualifying person meets the criteria, they would be eligible for up to 25 percent of the total costs, up to a maximum of \$1 million for the remediation.

Limited Restricted Use/Unrestricted Use Grants are available to any qualifying person who has a net worth of not more than \$2 million and receives the approval of the New Jersey Department of Environmental Protection for the implementation of a limited restricted use remedial action or an unrestricted action. The qualifying person would be eligible for up to 25 percent of the total costs, up to a maximum of \$1 million for the remediation.

Petroleum, Underground Storage Tank Remediation, Upgrade and Closure Fund (UST Fund)

Regulated Underground Storage Tanks

Owners or operators of a business with leaking regulated tanks are eligible for loans, and/or grants, for tank closure and/or remediation. In order to be considered eligible they must:

- Own or operate fewer than 10 petroleum underground storage tanks in New Jersey.
- Have a net worth of less than \$2 million.
- Be able to demonstrate the inability to obtain a commercial loan (two bank lenders).

In order to be considered for conditional hardship grant eligibility, business applicants must have a net operating income before taxes of less than \$200,000 and a personal net worth, exclusive of applicant's primary residence and pension, of less than \$200,000.

Financial Information

When a business is awarded a grant, the NJEDA places a lien on the facility property. If the property is operated in the same manner for 15 years, the lien will be removed. If the property is sold during that 15-year period, the grant must be repaid immediately upon sale. The grant repayment is reduced by 20 percent each year, starting with year 11, if the property is sold between year 11 and year 15.

Remediation Loan/Grant Amounts

Loans may be awarded for up to 100 percent of the eligible project cost up to \$2 million per facility. Loans for eligible project costs up to \$3 million may be awarded for sites located in a State-designated Planning Area (Metropolitan) or Planning Area 2 (Suburban). Interest rates, which generally range between 2 percent and the Prime Rate, are determined by the EDA. Public entities are eligible for interest free loans, but not grants.

Conditional Hardship grants may be awarded for up to 100 percent of the eligible project costs up to \$500,000 per site. Grants for eligible project costs up to \$750,000 may be awarded for sites located in the State-designated Planning Area 1 (Metropolitan) or Planning Area 2 (Suburban).

Other Eligible Entities (specific eligibility requirements apply)

- Tax-exempt, non-profit organizations with fewer than 100 paid employees
- Duly incorporated volunteer fire, ambulance, first aid emergency or rescue companies
- Independent colleges and universities of New Jersey

Assistance for New Jersey Technology Companies

Recognizing the significant contributions that small and medium-sized technology-based companies make to both technological and economic development, the New Jersey Commission on Science and Technology, working in conjunction with other state agencies, private organizations and academic institutions, has developed several pioneering programs to assist New Jersey's technology entrepreneurs.

Access to Technology Resources Research & Excellence Program

This multi-year funding program to academic research centers, in collaboration with industrial partners, is intended to create and/or mature new scientific and technology areas, which have potential for products, services and processes important to the state's future economic development.

Intellectual Property Program

This program provides a funding source to University Technology Transfer offices to support the final development and commercialization of university held patents.



Federal Programs of Financial Assistance

U.S. Small Business Administration Programs

The U.S. Small Business Administration (SBA) is the largest source of long-term small business financing in the nation. The New Jersey District office ranks as one of the country's top SBA lending offices.

In order to determine whether you qualify, or if an SBA business loan best suits your financing needs, please read the following carefully. For more details on the SBA and its programs, visit its Web site at www.sba.gov/nj.

The 7(a) Loan Guaranty Program

The 7(a) Loan Guaranty Program is the SBA's primary loan program. The SBA reduces risk to lenders by guaranteeing major portions of loans made to small businesses. This enables the lenders to provide financing to small businesses when funding is otherwise unavailable on equity favorable terms.

The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide range of financing needs. When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guaranty.

The lender may then request an SBA guaranty. In guaranteeing the loan, the SBA assures the lender that, in the event the borrower does not repay the loan, the government will reimburse the lending institution for a substantial portion of its loss.

By providing this guaranty, the SBA is able to help tens of thousands of small businesses every year get financing they would not otherwise obtain.

To qualify for an SBA guaranty, a small business must meet the 7(a) criteria and the lender must certify that it could not provide funding on reasonable terms except with an SBA guaranty.

The SBA can then guarantee as much as 85 percent on loans of up to \$150,000 and 75 percent on loans of more than \$150,000. While loan amounts and guaranty percentages vary among different types of SBA 7(a) loans, the maximum 7(a) loan amount is \$2 million.

The maximum amount of an SBA guaranty is \$1.5 million. Borrowers seeking funding for larger projects may wish to consider the SBA's "504" Loan Program which has higher loan limits.

How it Works

A borrower submits a loan application to a lender for initial review. If the lender approves the loan subject to an SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the nearest SBA office.

SBA's review and approval process is streamlined for the Certified & Preferred Lenders program and the SBAExpress lenders. After SBA approval, the lending institution closes the loan and disburses the funds.

Monthly loan payments are made directly to the lender. As with any loan, the borrower is responsible for repaying the full amount due.

Use of Proceeds

A borrower can use a 7(a) loan to: expand or renovate facilities; purchase machinery, equipment, fixtures and leasehold improvements; finance receivables and augment working capital; refinance existing debt if certain conditions are met; finance seasonal lines of credit; construct commercial buildings; and/or purchase land or buildings.

Financial Information

Terms, Interest Rates and Fees

The length of time for repayment depends on the use of the proceeds and the ability of your business to repay: usually five to seven years for working capital and up to 25 years for fixed assets such as the purchase or major renovation of real estate or purchase of equipment.

Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate (as published in the Wall Street Journal) for loans with maturities of less than seven years and up to 2.75 percent above prime for maturities of seven years or longer.

For loans under \$50,000, the maximum rate must not exceed prime plus 3.25 percent if the maturity is less than seven years and prime plus 3.75 percent if the maturity is seven years or more. For loans of \$25,000 or less, the maximum interest rate must not exceed prime plus 4.25 percent if the maturity is less than seven years, and prime plus 4.75 percent, if the maturity is seven years or more.

The SBA charges the lender a nominal fee to provide a guaranty and the lender may pass this charge on to the borrower. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. On any loan with maturity of one year or less, the fee is just 0.25 percent of the guaranteed portion of the loan.

On loans with maturities of more than one year, the guaranty fee is 2 percent on loans up to \$150,000; 3 percent on loans of \$150,000 to \$700,000; and 3.5 percent on loans over \$700,000. For loans greater than \$1 million, an additional .25 percent guaranty fee will be charged for that portion greater than \$1 million. That is, the portion up to \$1 million would be charged a 3.5 percent guaranty fee, with the portion over \$1 million being charged 3.75 percent.

Collateral

Borrowers must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business.

Liens on personal assets of the principals may be required. However, in most cases a loan will not be declined where insufficient collateral is the only unfavorable factor.

Eligibility

Businesses generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous three years. Loans cannot be made to businesses engaged in speculation or investment.

Financial Information

Small Business Size Standards

- **Manufacturing** – Majority at 500 employees; some industries at 750 to 1,500 employees
- **Wholesaling** - 100 employees
- **Services** – most common standard is average annual receipts not to exceed \$6.5 million; some specialized services at \$21 million to \$27 million in sales
- **Retailing** – most common standard is average annual receipts not to exceed \$6.5 million; several retail businesses at \$19.9 million to \$25 million in sales
- **General construction** - average annual receipts not to exceed \$ 31 million
- **Special trade construction** - average annual receipts not to exceed \$13 million
- **Agriculture** – most common standard is average annual receipts not to exceed \$750,000; some groups at \$1.5 million at \$11.5 million in sales

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. Keep this cover page simple and direct. When writing your proposal, don't assume the reader is familiar with your industry or your individual business. Always include industry-specific details so your reader can understand how your particular business is run and what industry trends affect it.

Documentation requirements vary with each lender. Be sure to contact them for the specific information you must supply.

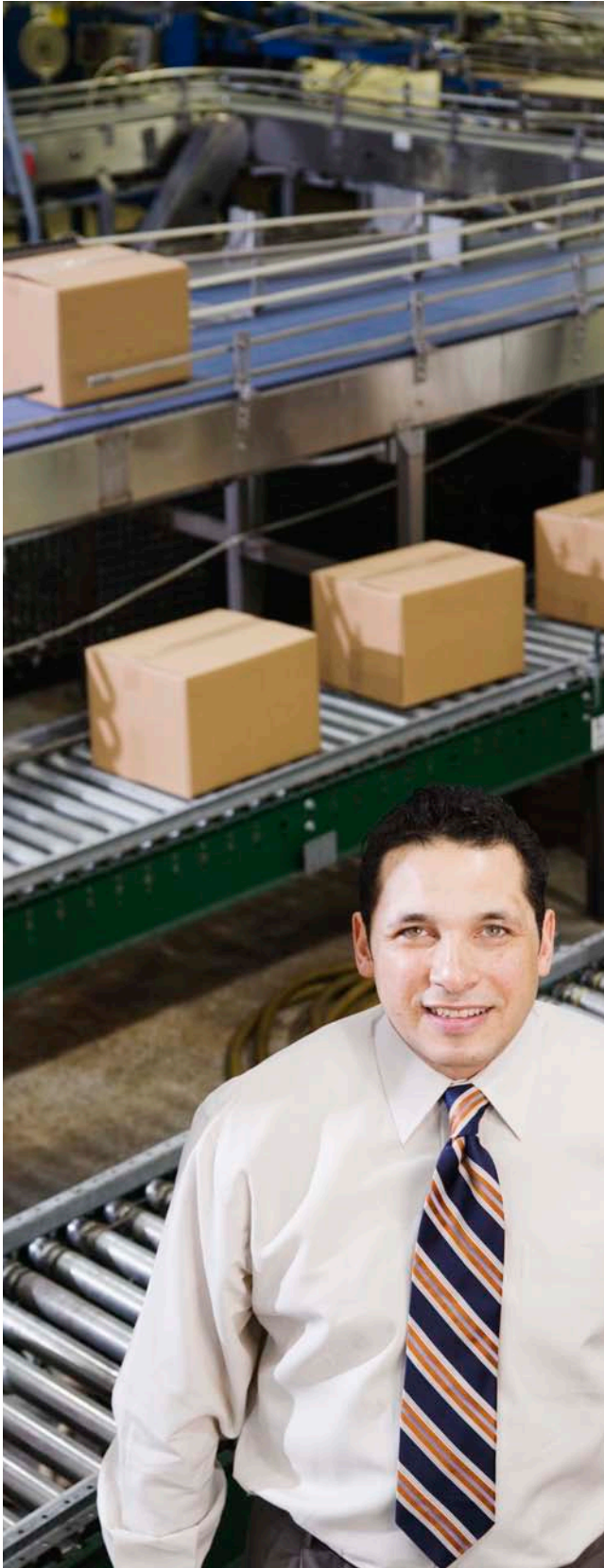
Common requirements include the following:

- Purpose of the loan
- History of the business
- Financial statements for three years (existing businesses)
- Schedule of term debts (existing businesses)
- Aging of accounts receivable and payable (existing businesses)
- Projected opening day balance sheet (new businesses)
- Lease details
- Amount of investment in the business by the owner(s)
- Projections of income, expenses and cash flow
- Signed personal financial statements
- Personal résumé(s)

What the SBA Looks For

In addition to documentation needed, the SBA needs to know more about you and your plan to be sure that planning and thorough forethought has been given to your enterprise. The SBA looks for the following elements to aid them in their risk assessment:

- Good character
- Management expertise and commitment necessary for success
- Sufficient funds, including the SBA guaranteed loan, to operate the business on a sound financial basis (for new businesses, this includes the resources to meet start-up expenses and the initial operating phase)
- Feasible business plan
- Adequate equity or investment in the business
- Sufficient collateral
- Ability to repay the loan on time from the projected operating cash flow



Specialized Programs Under 7(A)

There are a number of special loan guaranty programs under the 7(a) program that address specific needs of start-up or established businesses.

They are governed, for the most part, by the same rules, regulations, fees, interest rates, etc., as the regular 7(a) loan guaranty. Your lender can advise you of any variations.

SBAExpress

SBAExpress provides additional incentives to lenders to make small business loans. Participating banks use their own documentation and procedures to approve and service loans of up to \$350,000. In return, the SBA guarantees up to 50 percent of each loan and provides expedited processing, often approving applications within 36 hours. SBAExpress also provides revolving lines of credit of up to \$350,000 for terms of up to seven years.

Low Documentation Loan (LowDoc)

For small business loans of \$150,000 or less, LowDoc features a one-page SBA application, cutting the paperwork burden for both small businesses and lending institutions.

Once the applicant has satisfied the lender's requirements, the lender and applicant together complete the SBA's one-page guaranty application. If approved, the SBA guarantees up to 85 percent of the loan, with a quick turnaround to the lender.

Financial Information

CAPLines

There are five Short Term Loans and Revolving Lines of Credit programs under CAPLines, which provide financing for the short-term, cyclical working capital needs of small businesses.

CAPLines may be used to: finance seasonal working capital needs; finance direct costs needed to perform construction, service and supply contracts; finance direct costs associated with commercial and residential construction without a firm commitment for purchase; finance operating capital by obtaining advances against existing inventory and accounts receivable; or consolidate short-term debt.

Patriot Express Pilot Loan Initiative

The U.S. Small Business Administration has announced the SBA's Patriot Express Pilot Loan Initiative for veterans and members of the military community wanting to establish or expand small businesses.

Eligible military community members include:

- Veterans
- Service-disabled veterans
- Active-duty service members eligible for the military's Transition Assistance Program
- Reservists and National Guard members
- Current spouses of any of the above
- The widowed spouse of a service member or veteran who died during service or of a service-connected disability

The SBA and its resource partners are focusing additional efforts on counseling and training to augment this loan initiative.

The new Patriot Express Loan is offered by SBA's network of participating lenders nationwide and features our fastest turnaround time for loan approvals. Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans over \$150,000 up to \$500,000. For loans above \$350,000, lenders are required to take all available collateral.

The Patriot Express Loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases. Patriot Express Loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan.

Defense Loan and Technical Assistance (DELTA)

The DELTA Program provides both financial and technical assistance to help defense-dependent small firms adversely affected by defense cuts diversify into the commercial market.

Loans must be used to retain jobs of defense workers, create new jobs in impacted communities, or to modernize or expand in order to remain in the national technical and industrial base.

Loans may be made under the 7(a) and/or 504 programs. The maximum loan amount for a DELTA loan under the 7(a) program is \$2 million. The maximum for a DELTA loan under the 504 Certified Development Companies debenture program is \$4 million. The SBA also leverages private-sector resources to provide a full range of management and technical assistance.

Financial Information

The Certified and Preferred Lenders Program

The most active and expert lenders qualify for the SBA's Certified and Preferred Lenders Program. Participants are delegated partial or full authority to approve loans, which results in faster service. Certified (CLP) lenders are those that have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria.

They receive a partial delegation of authority and are given a three-day turnaround on their applications. Preferred (PLP) lenders are chosen from among the SBA's best lenders and enjoy full delegation of lending authority. This authority must be renewed at least every two years and the lender's portfolio is subject to performance benchmarks and is examined periodically by the SBA.

The 504 Loan Program

The SBA's 504 Loan Program provides long-term, fixed asset financing through certified development companies (CDC's).

These nonprofit organizations are sponsored by private interests or by state and local governments. The SBA can guarantee debentures covering as much as 40 percent of a 504 project, up to \$1.5 million for meeting job creation criteria or a community development goal.

Generally, a business must create or retain one job for every \$50,000 provided by SBA. The maximum debenture increases to \$2 million for businesses meeting certain public policy goals and \$4 million for businesses engaged in manufacturing.

Generally, a manufacturer must create or retain one job for every \$100,000 provided by the SBA. Programs from the 504 loans must be used for fixed asset projects such as purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernization or converting existing facilities; or purchasing long-term machinery and equipment.

The 504 Loan program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.



Financial Information

The 7(M) MicroLoan Program

The MicroLoan Program makes smaller amounts of capital (up to \$35,000) available through SBA intermediaries.

Although a borrower must prove credit worthiness and the viability of the business idea, collateral and other stringent requirements will be eased.

The private non-profit intermediaries receive loans from SBA to establish a local revolving loan fund and they re-lend the money to local entrepreneurs within their designated areas. Management and technical assistance is also available after loan closings to assist the borrower in the successful execution of the business plan.



For information, contact the intermediary lender in your area.

Regional Business Assistance Corporation

247 East Front Street

Trenton, NJ 08611

609-587-1133

Service area: Bergen, Burlington, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Somerset, Sussex and Warren Counties

Greater Newark Business Development Consortium

744 Broad Street, 26th floor

Newark, NJ 07102

973-242-4134

Service area: Statewide

UCEDC

Liberty Hall Corporate Center

1085 Morris Avenue, Suite 531

Union, NJ 07083

908-527-1166

Service area: Statewide

Cooperative Business Assistance Corporation

328 Market Street

Camden, NJ 08102

856-966-8181

Service Areas: Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem Counties

The Small Business Investment Company (SBIC) Program

There are a variety of alternatives to bank financing for small businesses, especially business start-ups. The Small Business Investment Company (SBIC) fills the gap between the availability of venture capital and the needs of small businesses that are either starting or growing.

Financial Information

Licensed and regulated by the SBA, SBICs are privately owned and managed investment firms that make capital available to small businesses through investments or loans.

They use their own funds plus funds obtained at favorable rates with SBA guaranties and/or by selling their preferred stock to the SBA.

SBICs are for-profit firms whose incentive is to share in the success of a small business. In addition to equity capital and long-term loans, SBICs provide debt-equity investments and management assistance.

The SBIC Program provides funding to all types of manufacturing and service industries. Some investment companies specialize in certain fields, while others seek out small businesses with new products or services because of the strong growth potential. Most, however, consider a wide variety of investment opportunities.

The Surety Bond Program

The Surety Bond Guarantee (SBG) Program was developed to provide small and minority contractors with opportunities for which they would not otherwise bid.

The Office of Surety Guarantees administers the SBG Program through a private-public partnership between the federal government and the surety industry. SBA guarantees bid, performance, payment and ancillary bonds issued by surety companies for construction, service and supply contracts, and reimburses the sureties a percentage of the losses sustained if the contractor defaults.

Contracts of up to \$2 million are eligible for the SBA's bond guarantee. SBA's guarantee provides the incentive to issue bonds to contractors who could not otherwise compete in the contracting industry.

The SBG Program consists of the Prior Approval program and the Preferred Surety Bond (PSB) Program. The Prior Approval program guarantees up to 90 percent of a surety's loss.

Participants must obtain SBA's approval for each bond guarantee issued. Under the PSB program, sureties receive a 70 percent guarantee and are empowered to issue, service and monitor bonds without SBA's prior approval.

Each of these programs targets a different segment of the contracting community and both are necessary to reach all small business clientele.

The surety bond guarantee programs are a major factor in the surety reinsurance and contracting industries and are recognized as a primary stabilizing influence by those industries.

For more information on the SBA contact:
973-645-2434
www.sba.gov/nj



Section 4: Franchising

What is Franchising?

Franchising is a form of licensing by which the owner (the franchiser) of a product, service or method obtains distribution through affiliated dealers (the franchisees). The holder of the right is often given exclusive access to a defined geographical area.

The product, method or service being marketed is identified by a brand name and the franchiser maintains control over the marketing methods employed.

In many cases, the operation resembles that of a large chain with trademarks, uniform symbols, equipment, storefronts and standardized services or products, and maintains uniform practices.

The International Franchise Association, the major trade association in the field, defines franchising as "a continuing relationship in which the franchiser provides a licensed privilege to do business, plus assistance in organizing, training, merchandising and management in return for a consideration (fee) from the franchise."

However, the owner of a franchised business must give up some options and freedom of action in business decisions that would be open to the owner of a non-franchised business.

The franchisee is not entirely his/her own boss because, in order to maintain the distinctiveness and uniformity of the service, to ensure that the operations of each outlet will reflect favorably on the organization as a whole and to protect and build its good will, the franchiser usually exercises some degree of continuing control over the operations of franchisees and requires them to meet stipulated standards of quality.

In some cases, franchisees are required to conduct every step of their operation in strict conformity with a manual furnished by the franchiser. In return, the individual franchisee can share in the good will built up by all other outlets that bear the same name.

A company which depends upon the successful operation of franchise outlets needs individuals who are willing to learn the business and have the energy for the considerable amount of effort needed to be profitable.

The franchiser can supply the essentials for the successful operation of the outlet. Among the services franchisers may provide to the franchise operators are:

- Location analysis and counsel
- Recommending methods of operation
- Store development aid - including lease negotiation
- Store design and equipment purchasing
- Initial employee and management training and continuing management counseling
- Advertising and merchandising counseling and assistance
- Standardized procedures and operations
- Centralized purchasing with consequent savings
- Financial assistance in the establishment of the business

Investigate the Franchise

The second step is to investigate the franchiser and the franchise business as thoroughly as possible. Proceed as if buying a new car or a new home. Comparison shop, look at more than one franchise.

But don't stop your investigation there. Call or write several franchisers being considered to get more detailed information. In addition, investigate the territory being considered and determine the market potential for the product or service that will be offered.

Study Disclosure Statements

The franchiser is required by law to give you a disclosure statement (sometimes called an “offering circular” or “prospectus”), which describes the franchise system and your obligations, as well as certain required information such as the franchise company’s litigation and bankruptcy history and a list of current and former franchisees. It will be a great help in comparing one franchise with another, understanding the risks involved and learning what to expect and what not to expect from the franchise. Study the disclosure statement carefully before making an investment decision.

Check Out Disclosures

Read the disclosure statement carefully and compare it to other disclosure statements. Check the accuracy of the information disclosed. Contact several of the franchisees listed in the disclosure statement and ask them about their experience in the business. They can verify that the information provided and any other claims that are made by the franchiser accurately reflect their experience in the business.

Look for franchisees that have been in the business for at least a year. If none have been in business that long because the franchise is a new one, the risks you will run by investing in the franchise will obviously be higher than those of a well-established franchise. Also talk to franchisees that have been in business for only a few years. They will be able to give you the best advice about what to expect during your first year of operation. This is important because the first year of operation is often the period during which the success or failure of a new franchise is determined.

Question Earnings Claims

A franchiser can only provide information about the sales, income or profits of the franchised business, if it does so, in Item 19 of its offering circular.

Upon request, franchisers are required by law to provide detailed substantiation to prospective franchisees of any earnings claims they make. Be sure to note what percentage of the franchiser’s present franchisees has actually had sales, profits or income that equaled or exceeded the amount claimed. Find out how many franchisees did that well during their first year of operation and when their operating results may not have been as good.

A new franchise’s first year operating results are more likely to equal to those of other first year franchises than those that have been in business for several years.

Investing in a Franchise

Be Aware Of Risks

Everyone knows that there is some risk in investing money in the stock market. Investing in a franchise is similar. In some ways the risks are even greater than the risks of buying stock. A franchise owner can expect to invest not only time, but also a good part of his/her working life.

When considering a franchise, it is critical to collect information from people who have already been running a franchise you are considering.

Franchisees who have made the decision to purchase and operate the franchise will often explain first-hand about the financial arrangements, the start-up and ongoing assistance provided by the company and how much profit can realistically be expected.

It is important to talk to several franchisees. The time spent researching, by phone or in person, can be important investments and may be the best source to gain an understanding and insight into the day-to-day operation.

Organize notes to cover all the important points before contacting the franchise or making an on-site visit.

Before Selecting A Franchise System

Before investing in a particular franchise system, carefully consider how much money will have to be invested, your ability and goals. The following checklist may help on the decision to franchise.

Investment

- How much money do you have to invest?
- How much money can you afford to lose?
- Will you purchase the franchise by yourself or with partners?
- Will you need financing? If so, where can you obtain it?
- Do you have savings or additional income to live on while starting your franchise?

Abilities

Does the franchise require technical experience or relevant education, such as auto repair, home and office decorating, or tax preparation?

What Skills Do You Have?

- Do you have computer, bookkeeping, or other technical skills?
- What specialized knowledge or talents can you bring to a business?
- Have you ever owned or managed a business?

Goals

- What are your goals?
- Do you require a specific level of annual income?
- Are you interested in pursuing a particular field?
- Are you interested in retail sales or performing a service?
- How many hours are you willing to work?
- Do you want to operate the business yourself or hire a manager?
- Will franchise ownership be your primary source of income or supplement your current income?
- Would you be happy operating the business for the next 20 years?
- Would you like to own several outlets or only one?

Obtain Professional Advice

Obtain independent professional assistance in reviewing and evaluating any franchise that is being considered. Such assistance is particularly important in reviewing the financial statements and agreements of the franchise.

Do not assume that the disclosure statement tells everything about the consequences of signing a franchise agreement and related contracts. The disclosure statement is not designed to serve that purpose.

The advice of a lawyer is the most important professional opinion to obtain before investing in a franchise. A lawyer can advise about legal rights in entering a franchise agreement and any legally binding obligations.

In addition, a lawyer may be able to suggest important changes in the contract(s) to better protect the franchisee's interests. Attorneys will advise about any state and local laws that may affect the franchise business and will assist with the taxation and personal liability questions that must be considered in establishing any new business.

The cost of obtaining legal advice will be relatively small in comparison to the total initial investment for a franchise. Moreover, the cost of legal advice at the outset is less than the cost of late representation to solve legal problems that could have been avoided.

At the very least, prospective franchisees should be certain that every promise that's made by the franchiser and his representative is stated clearly in the written franchise agreement. If such promises do not clearly appear in the contracts you sign, the franchiser may not be legally obligated to perform in accordance with such promises.

Do not assume that an investment in a franchise is risk free or virtually risk free, just because federal or state laws may provide some protection. That protection is subject to a limitation and may not be able to remedy every case.

Investing in a franchise will always involve a certain degree of risk. Franchisees should do everything possible to protect themselves rather than rely on legal rights for potential remedies.

What a Good Franchise Program Should Offer You

- A franchiser that appears to be stable in every way, including financial wherewithal.
- A federally registered trademark and a state registered trade name.

- A reliable, affordable product or service.
- A training program that will provide hands-on experience in every operation of the business.
- A detailed and readable operations manual, to guide the franchisee through start-up and well into successful operations.
- Support, for the franchisee and his staff on everything from site selection to decor, inventory and grand opening ads.
- Managerial training, including regional and national meetings, seminars and assistance in operations and accounting procedures.
- Marketing, merchandising and advertising support, everything from selecting retail decor and display ideas to setting up co-op advertising assistance.
- Monthly newsletters to keep the franchisees informed of the latest activities and trends. Keep tabs on the competition and feature the successful efforts of different franchise operators.
- Multi-store, multi-office or territorial expansion options. Unique designs that invite and draw customers into the franchise location.
- A continuing program of new product development and testing.
- Purchasing benefits from the franchiser, to buy products in volume with savings.
- The strength of a national, regional or local network of independently owned and operated franchisees and all franchise operations.

Note: The State of New Jersey does not regulate franchises.

For more information contact:

International Franchise Association
1350 New York Avenue, NW, Suite 900,
Washington, DC 20005-4709
202-628-8000
Web: www.franchise.org
E-mail: ifa@franchise.org

Section 5: Procurement Opportunities

Procurement Opportunities

Procurement with the State

New Jersey offers a single source of information for you to access bid opportunity information. This database allows businesses to obtain bid opportunity information from more than 100 entities including state agencies, authorities, commissions, state colleges and universities.

This Bid Opportunity Database and related services offers:

- A searchable list of opportunities by commodity code and by state entity
- A detailed summary information for each opportunity
- Contact information and/or link to the Web site of the originating entity (if applicable)
- Opt-in e-mail notifications as new opportunities are posted

Bid Opportunity Notification Service

Opt-in to receive e-mail notifications about new bid opportunities as they become available for the commodity code(s) specific to your selected interest. This insures that the business community received timely and pertinent information regarding state purchasing opportunities.

Small, Minority & Women Businesses Self-Declaration

To better promote the State's small, minority and women-owned businesses, the Division of Minority & Women Business Development hosts an online directory of small businesses, which include minority and women-owned businesses. Using this directory, business owners can self-declare as a small, minority and/or women-owned business to promote their goods and services directly to state purchasing agents and to contractors who may not be familiar with their company.

Buyers from the various state agencies, commissions, colleges and universities use this directory to find businesses that provide goods and services that meet their procurement needs, as well as for prime contractors to identify potential subcontractors.

Database Benefits for Small, Minority & Women-Owned Businesses:

- A Free listing in a searchable, central database
- Optional e-mail notification of bid opportunities that match your business commodity code

Database Benefits for the Buyers & Prime Contractors:

- Easy access to a pool of potential small, minority and women-owned vendors
- Search by commodity code, and business or contractor's name
- Ability to develop a diverse vendor prospect list for both informal and formal bidding opportunities

An Important Note: A vendor can declare as a small, minority, and or women-owned business without being registered as a Small Business Enterprise or certified as a Minority and/or Woman's Business Enterprise with the Division of Revenue.



Procurement Opportunities

Therefore it is the responsibility of the State entity and/or prime contractor to verify the validity of the information, for example whether or not a company is a registered SBE and/or certified M/WBE. In addition, registration and/or certification may be required before a vendor can bid on a specific opportunity.

NOTE: Filing an application does not automatically guarantee award of a purchase order or state contract.

For further information contact New Jersey's Business Action Center at 866-534-7789 or visit www.NewJerseyBusiness.gov.

Set-Aside and Certification Office

The Small Business Set-Aside Act

The set-aside program established procedures for the registration of Small Business Enterprises (SBE) and the certification of minority/women business enterprises (M/WBE) for the purpose of participating in set-aside contracts available through 109 state agencies. The purpose of the set-aside program is to ensure that New Jersey based small businesses receive a fair share of the state contracting dollars. The Small Business Set-Aside program encourages agencies to award 25 percent of state contracts and purchases to SBEs. Registered SBEs company's name are added to a state listing of vendors eligible to participate in contract consideration.

Eligibility for Small Business Registration

Small business owners wanting to do business with the State of New Jersey and be eligible for state set-aside contracts/purchases must be registered and approved and file the Vendor Registration form with the required \$100 annual registration fee.

The businesses must be independently owned and operated with its management responsible for daily and long-term operations and owning at least 51 percent of the business.

Participating businesses must be incorporated or registered to do business in the state and have their principal place of business in New Jersey, which is defined as either 51 percent or more of its employees working in New Jersey, as evidenced by the payment of New Jersey unemployment taxes, or 51 percent or more of its business activities taking place in New Jersey, as evidenced by its payment of income or business taxes. The business must be a sole proprietorship, partnership or corporation with 100 or fewer full-time employees.

Eligibility for Certification of Minority and/or Women Business Enterprises

Women and minority business owners seeking to do business with the State of New Jersey and/or private corporations may be certified with New Jersey.



To obtain a Small Business Vendor Registration form and/or the MBE/WBE Certification form call 866-534-7789 or visit www.NewJerseyBusiness.gov

Procurement Opportunities

Certifying Agencies

In addition to State Certification, there are a number of State Departments that also require various types of Certification these include the Department of Transportation, the Department of Environmental Protection, New Jersey Transit and the Port Authority of New York and New Jersey. Details on these Certification programs are outlined below.

New Jersey Department of Transportation

The New Jersey Department of Transportation (NJDOT) uses Small Disadvantaged Business Enterprise (SDBE) and Emerging Business Enterprise Certifications.

Disadvantaged minority- or female-owned firms are certified by NJDOT in order to qualify them for work designated to be done by SDBEs on federally assisted projects. For additional information write:

New Jersey Department of Transportation
Office of Civil Rights/Contract Compliance
PO Box 600
Trenton, NJ 08625-0600
609-530-3009



New Jersey Transit

NJ Transit certifies minority- and women-owned businesses as Disadvantaged Business Enterprises (DBEs). Certified DBEs qualify for federally assisted projects.

If you desire to work on New Jersey Transit projects or have additional questions regarding certification you should contact:

New Jersey Transit Corp.
Small/DBE Programs
One Penn Plaza E, Second Floor
Newark, NJ 07106
973-491-8060
www.njtransit.com

The Port Authority of New York/New Jersey

The Port Authority's Certification Program certifies Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs) and Disadvantaged Business Enterprises (DBEs).

A Disadvantaged Business Enterprise (DBE) Certification is needed to be eligible on federally assisted projects. For additional information or to obtain an application, contact:

The Port Authority of NY/NJ
Office of Business & Job Opportunity
Newark Legal Center
One Riverfront Plaza, 9th floor
Newark, NJ 07102
973-565-5534
www.panynj.gov

Procurement Opportunities

Federal 8(a) Certification

The 8(a) Business Development Program is the U.S. Small Business Administration's (SBA) effort to promote equal access for socially and economically disadvantaged individuals to participate in the business sector of the nation's economy.

SBA may provide participating firms with procurement, marketing, financial management or technical assistance. To be eligible for admission to the 8(a) program, a business must be owned, controlled and operated at least 51 percent by one or more persons who are socially and economically disadvantaged, citizens of the United States (aliens, including permanent residents are excluded) and be able to meet other eligibility requirements.

Individuals considered to be socially disadvantaged must meet one of the following definitions: People who have been subject to racial or ethnic prejudice or cultural bias.

These include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, Subcontinent Asian Americans and members of other minority groups designated by SBA.

People who are not members of a minority group but can demonstrate with substantial evidence and documentation that they have been subjected to chronic racial or ethnic prejudice, cultural bias or similar circumstances over which the individual had no control, are also eligible.

The individual's social disadvantage must be chronic, long standing and substantial and have had a negative impact on entry into and/or advancement in the business world. It must stem from their color, ethnic origin, gender, physical handicap or geographical environment.

One must demonstrate personal suffering and not merely claim membership in a non-designated group.

To be eligible for participation in the 8(a) program, the applicant must also be economically disadvantaged.

To determine economic disadvantage, SBA will consider the following: Personal and business assets, personal and business net worth, personal and business income and profits, as well as success in obtaining adequate financing, bonding and credit.

Individuals whose personal worth exceeds \$250,000, excluding the individual's ownership interest in the applicant concern and the equity in their primary residence, will not be considered economically disadvantaged for purposes of 8(a) program entry.

The individuals upon whom eligibility is based must be engaged full time in the daily management and operation of the business.

For more information about the 8(a) program eligibility requirements, call 973-645-4651.

Interested persons can now apply for the 8(a) Business Development Program online. 8(a) Electronic Applications are available at www.sba.gov/8abd.



Procurement Opportunities

Small Disadvantaged Business Program

The SBA's Small Disadvantaged Business (SDB) Program augments SBA's Business Development Program. This program allows businesses owned by socially and economically disadvantaged individuals to receive a ten (10) percent evaluation preference when bidding on certain federal contracts.

It also gives them preference when dealing with large government contractors. To qualify, a disadvantaged individual or individuals, who are U.S. citizens, must own 51 percent or more of the business and must devote full-time employment to its daily management.

The criteria for establishing disadvantaged status are very similar to that of SBA's 8(a) Business Development Program.

For further information on the Small Disadvantaged Business Certification Program, call 973-645-4651. Submit applications online at www.sba.gov/sbd

HUBZone Empowerment Contracting Program

The HUBZone Empowerment Contracting Program seeks to encourage economic development in historically underutilized business zones – "HUBZones" – through the establishment of preferences for award of federal contracts to small businesses located in such areas.

In order to qualify for the program, a firm must be located within a designated HUBZone area. (Please refer to the SBA New Jersey District Office Website www.sba.gov/nj for locations in New Jersey which are currently included in the HUBZone initiative).

Further requirements are that the firm must be a small business that is owned and controlled at least 51 percent by U.S. citizens and at least 35 percent of its employees are HUBZone residents.

HUBZone firms have the opportunity to negotiate sole source contracts and participate in restricted competition limited to HUBZone firms. Small businesses located in HUBZone areas will be allowed a ten (10) percent price evaluation preference in full and open competition.

HUBZones are determined by census tracts, which have street-by-street boundaries. For that reason, SBA strongly suggests the use of the HUBZone locator system to define the boundaries of each HUBZone.

Details on the HUBZone Program legislation, eligibility requirements, applications, timeframes and benefits are all available at www.sba.gov/hubzone.

All applicants are encouraged to apply electronically through the SBA Web site. All inquiries about the program should be directed to hubzone@sba.gov, or the New Jersey HUBZone Liaison at 973-645-3729.

For further information, contact:

U.S. Small Business Administration
8(a) Business Development
Two Gateway Center, 15th Floor
Newark, NJ 07102
973-645-2531
www.sba.gov/nj

Procurement Opportunities

Surety Bonds

A surety bond is an instrument under which one party guarantees to another that a third party will perform a contract.

How Does the Bonding Process Work?

Securing a surety bond is similar to obtaining a bank line of credit. So, just like a bank, a surety company must know a business before committing its assets. It will require a lot of time and effort to establish a first relationship with a surety company.

The surety process is focused on pre-qualifying the firm. The surety company must be satisfied that the contractor/vendor has met certain criteria. The firm must:

- Be of good character.
- Have the capacity to meet the requirements of the project.
- Have the necessary capital to support expected project costs.
- Be in good standing with a bank.
- Have established a line of credit.
- Be a business that is well managed.

Each surety company has its own standards. These fundamentals are most common.

Types of Surety Bonds

- **Bid bond:** provides financial assurance that the bid has been submitted in good faith and that the contractor intends to enter into the contract at the price bid.
- **Performance bond:** protects the owner from financial loss should the contractor fail to fulfill the contract requirements in accordance with the term and conditions of the contract documents.
- **Payment bond:** guarantees that the contractor will pay certain labor and material bills associated with the project.



Procurement Opportunities

Tips on Obtaining Bonding

Basic steps needed in obtaining a bond include:

- Identify a bonding agent.
- Visit at least three bonding agents. Find out what they offer and explain your firm's marketing goal.
- Develop a relationship with a bonding agent as soon as possible. Ask persons in your industry which agent obtains bonds for them.
- Select the bonding agent who offers the best services for the price and will advise you in the area of bonding as your firm grows.
- Select an independent Certified Public Accountant (CPA).
- Bonding agents will require financial statements of your company prepared by an independent accountant.

Fiscal-year-end and six-month financial statements will be submitted regularly to your bonding agent. This will save the agent time.

How Do I Qualify for Surety Bonds?

Select an agent (preferably one who specializes in your particular industry) and discuss your plans with him/her. Provide the agent with the following information:

- Business plan and organization chart
- Resumes of key principals with a description of the largest completed jobs, including names and telephone numbers of owners, financial statements, tax returns and bank relationships.



How Long Does it Take to Pre-Qualify for Bonding?

This depends solely on you and how well prepared you are. For owners who have met all the requirements and can produce the information to the surety company in an acceptable manner, the process can be accomplished in five to ten working days. But, do not underestimate the time it takes to prepare your paperwork.

First Impressions

First impressions with the bonding agent are crucial. Business owners will only get one chance to make that first impression. Remember, the dress code for business negotiations and for business activities may be different.

Increasing Bonding Capacity

To increase bonding capacity reduce large cash outlays and establish a working capital base and net worth consistent with the volume of work the business wants to accomplish. Complete all work on time and pay your subcontractors and suppliers on time.

SBA's Surety Bond Guaranty Program

Small contractors, who require surety bonds to perform on construction or service contracts, can apply to the U.S. Small Business Administration (SBA) for bonding under the Surety Bond Guaranty program.

In order to be eligible for a bond guaranty by the SBA, a small contractor must qualify as a small business in accordance with SBA size standards and the principals must be of good character. If the firm's annual average sales over the past three fiscal years have not exceeded \$6 million. The SBA can guarantee surety bonds on contracts up to \$2,000,000. The fee charged by the SBA for the guaranty is \$6 per \$1,000 of the contract amount.

Procurement Opportunities

For information on the Surety Bond Guaranty program, contact:

SBA District Office
215-580-2703

Bonding Companies

Zurich North America
1 Upper Pond Road, Bldg. E-F
Parsippany, NJ 07054
973-394-5100
www.zurichna.com

Heritage Insurance Agency Inc.
1317 South Main Road
Vineland, NJ 08360
856-696-3152
www.insurancebyheritage.com

G.R. Murray Insurance
Division of O'Gorman & Young, Inc.
707 State Road
Rte. 206 North
P.O. Box 83
Princeton, NJ 08542
609-924-5000
www.ogy-grmurray.com

Global Indemnity Insurance Agency, Inc.
20 Highland Avenue
Metuchen, NJ 08840
732-632-2790
www.globalindemnity.com

International Fidelity Insurance Co.
One Newark Center
20th Floor
Newark, NJ 07102
800-333-4167 Ext. 290
www.ific.com

Disclaimer: The above is not a list of surety companies specifically endorsed by New Jersey.

U.S. Small Business Administration's (SBA) Government Contracting Program

The Government Contracting Program of SBA ensures that small businesses receive their fair share of federal contracts. SBA's programs include the establishment of small business set-asides, certification of small businesses to perform on federal contracts, and opportunities in subcontracting to large business prime contractors.

SBA also provides information and assistance to firms who are interested in obtaining federal contracts. SBA staff can be contacted for additional information at the following locations:

Lakehurst, NJ - 732-284-8064
Picatinny Arsenal, Dover, NJ - 973-724-6574
www.sba.gov



Procurement Opportunities

Minority Small Business & Capital Ownership Development (MSB/COD) 8(a) Program

The 8(a) Program is SBA's effort to promote equal access for socially and economically disadvantaged individuals to participate in the business sector of the nation's economy.

Socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans and others designated by the SBA

The program recognizes the historical lack of equal access that minorities and other disadvantaged individuals have had to the resources needed to develop their small businesses. The program assists 8(a) approved firms to participate in the business sector and to become independently competitive in the marketplace.

The assistance available includes access to federal government contracts as well as management and technical assistance programs. For further information call SBA 973-645-2531.

How to Be Paid Promptly by the State of New Jersey

Vendors doing business with the State of New Jersey can receive payment for goods and services purchased by the state government within as few as 30 days by following some simple instructions.

First, before providing goods and services you must have received a purchase order with an authorized signature under agency approval.

Now the Payment Process Has Officially Begun

In either of the above instances, the business will receive the following set of forms, which should be considered the work order and authorization. The terms "Payee" and "Vendor" are used interchangeably.

State of New Jersey AGENCY PURCHASE ORDER (PB2PO-r8/93)

State of New Jersey PAYMENT VOUCHER (PBPV1-r3/93)

Check the agency purchase order carefully. Verify that the prices are the same that you bid or quoted. Read the document carefully and understand the terms and conditions of the order or job.

Clarify any discrepancies before you perform the service or supply the goods. Failure to obtain prior authorization to change the order in any way will delay payment. Perform the service or supply the goods authorized.

Upon the state's acceptance of the service or goods, complete and mail the payment voucher to the address listed in item (E) "Send Completed Form To:"

Read the payee instructions on the reverse side of the Payment Voucher.

If not already filled in by the agency placing the order, complete items (A) through (D).

Sign the "Payee Declaration" (F). Be sure to write your title and the current date.

In "Payee Reference Number" (G) include the businesses' invoice number, billing number or any other identification for reference purposes. This will be recorded on the check stub and assist you in payment identification. Do not use more than 30 characters.

Procurement Opportunities



Important

Keep a record of the payment voucher.

Address changes should be made in writing to:

Department of the Treasury
Office of Management and Budget — Vendor
Control
PO Box 221
Trenton, NJ 08625-0221
609-292-6746

All other changes (business address, phone number, identification number, etc.) should be made in writing to:

Department of the Treasury
Purchase Bureau — Vendor Change
PO Box 230
Trenton, NJ 08625-0230
609-292-4700



Subcontractors

It is your responsibility to get written agreements or contracts from prime contractors performing state contracts. Finalize working hours, pay, overtime, holidays and expected project completion dates. Determine whether the prime contractor is bonded. If necessary, contact the bonding company that issued the performance bond. It is your responsibility to keep proper records of the hours and days you worked.



Procurement Opportunities

Additional Procurement Resources

Bidder's Mailing List Application

If a business has a product or service utilized by the state and you are interested in receiving a Request for Proposal, call or write for a Bidder's Mailing List Application at:

New Jersey Department of Treasury
Division of Purchase and Property
Purchase Bureau - Bid List Management
PO Box 230
Trenton, NJ 08625-0230
609-984-5396

Submit your application online at:
www.state.nj.us/treasury/purchase/forms/forms.htm

Casino Industry

If a business is interested in transacting business with Atlantic City Hotels/Casino or you require information regarding vendor registration, licensing or general procedures for the casino industry, contact:

State of New Jersey Casino Control Commission
License Division Enterprise License Bureau
Tennessee Avenue and Boardwalk
Atlantic City, NJ 08401
609-441-3555



Bidding of Construction Contracts

If the business is a construction contractor, architectural or engineering firm and wishes to bid on construction contracts, call or write:

New Jersey Department of Treasury
Division of Property Management and Construction
33 West State Street, 9th Floor
PO Box 034
Trenton, NJ 08625-0034
Call 609-943-3400
www.state.nj.us/treasury/dpmc

For assistance with Bonding Requirements, contact the New Jersey Business Action Center at 866-534-7789

Pre-qualification Application

Construction Firms-
To request form Form GSA27
(Request for Classification for Contractors)
Call 609-943-3400

Architectural and Engineering Firms-
To request Form 48A
(Consultant Services Questionnaire)
Call 609-943-3400

Highway and/or Bridge Construction Contractor-
To request Form DC-74A
(Pre-qualification Application)
New Jersey Department of Transportation
1035 Parkway Avenue
P.O. Box 605
Trenton, NJ 08625-0605
609-530-2103

Procurement Opportunities

The Port Authority of NY/NJ New Jersey Transit Corporation

If a business is seeking opportunities with the Port Authority of NY/NJ and needs information or pre-qualification policies and procedures, call or write:

The Port Authority of NY/NJ
1 Madison Ave 7th floor
New York, NY 10010
212-435-3905
www.panynj.gov

If a business is seeking opportunities with the NJ Transit Corporation and needs information or pre-qualification policies and procedures, call or write:

NJ Transit Corporation
One Penn Plaza
Newark, NJ 07105
973-491-7546
www.njtransit.com



New Jersey Turnpike Authority

The New Jersey Turnpike Authority operates the New Jersey Turnpike, the Garden State Parkway and the PNC Arts Center. The authority is responsible for the maintenance and operation of the toll roads.

If a business is seeking opportunities with the NJ Turnpike Authority and needs information or pre-qualification policies and procedures, call or write:

New Jersey Turnpike Authority
PO Box 5042
Woodbridge, NJ 07095
Attn: Bid Supervisor
732-750-5300 x8253
www.state.nj.us/turnpike

South Jersey Transportation Authority

The Authority operates the Atlantic City Expressway and Atlantic City International Airport.

If a business is seeking opportunities with the South Jersey Transportation Authority and needs information or pre-qualification policies and procedures, call or write:

South Jersey Transportation Authority
P.O. Box 351
Hammonton, NJ 08037
609-965-6060
www.sjta.com

Section 6: Exporting

Exporting

International Trade and Investment Services

The State offers various programs to New Jersey firms planning to grow their overseas business opportunities and international companies seeking to establish a presence in New Jersey. The Office of International Trade enhances companies' competitiveness in the global market through the following:

Export Promotion

- Export Promotional Activities
- Key Contacts
- Customized Trade Consulting Services

International Trade Promotion Events

- Trade Missions and Trade Partnering Activities
- Business Networking with Inbound Foreign Buying Missions
- International Business Partnering
- Export.gov

Foreign Direct Investment

- New Jersey - An Attractive Business Destination Services

Educational Seminars

Trade Advocacy

Import Assistance

- Sources of Import Assistance



Export Promotion

Export Promotional Activities

The ever-growing dynamic world of international trade has never been more important to New Jersey's business community. The State of New Jersey provides tools to support businesses that are planning to expand overseas by helping them identify new strategic international markets for their products and services.

Key Contacts

The State of New Jersey Business Action Center
- Global Business Unit - (866) 534-7789

U.S. Export Assistance Center of Trenton, New Jersey

Serving Monmouth, Mercer Counties and Middlesex County South of Route 287:
Trenton U.S. Export Assistance Center
Michael Manning, Director
US Commercial Service, 100 Technology Way,
Room # 208
Mt. Laurel, New Jersey 08054
Telephone: 856-722-0958, Fax: 856-722-0716
www.buyusa.gov/trenton
Michael.Manning@mail.doc.gov

Serving areas in North Jersey except for Monmouth, Mercer Counties and Middlesex County South of Route 287:
Joel Reynoso, Director, CGBP, PMP
U.S. & Foreign Commercial Service
744 Broad Street, Suite 1505
Newark, NJ, 07102
973-645-4682 x 212
973-645-4783
Joel.reynoso@trade.gov
www.export.gov
www.buyusa.gov/nnj

Exporting

Customized Trade Consulting Services

Our services are targeted to meet the needs of firms expanding their market reach or exporting for the first time. Assistance includes free comprehensive export consulting services, international market research, help in identifying trade and export finance, foreign market advocacy and assistance with federal export programs.

The State works with you, to understand your company's goals and objectives. After a one-on-one corporate consultation, we will provide you with customized research regarding your international target markets and work with you to assess the viability of products or services in each overseas market.

International Trade Promotion Events

Throughout the year, the State organizes and sponsors international trade missions, trade shows and catalog shows in key overseas markets, where international business opportunities for New Jersey companies are greatest.

These events allow New Jersey companies to explore new markets, identify new business opportunities, and secure distributors, agents and partners in strategic foreign markets.

The State also organizes and sponsors international trade seminars and conferences. Many of the State's international trade development events are conducted in close partnership with the United States Department of Commerce and foreign governments worldwide. New Jersey has also served as host to international trade and business delegations from every corner of the world.

Trade Missions and Trade Partnering Activities

The State of New Jersey organizes and promotes its own, as well as international business development missions, trade shows and partnering opportunities, organized by local, federal and foreign entities.

- **Trade Missions:** State sponsored trade missions abroad enable exporters to partner with potential foreign customers. The State organizes trade missions to initiate and nurture relationships with potential international business partners. Participating trade missions provide New Jersey companies with an opportunity to meet high-level business and government executives face-to-face, greatly enhancing the potential for future business opportunities.
- **Trade shows:** The State organizes, participates in and sponsors market and industry specific exhibitions of state-produced goods and services in overseas markets. The State works with companies to identify appropriate trade shows and opportunities to market New Jersey products or services and also arranges pre-qualified meetings with interested buyers and distributors.
- **Catalog Shows:** A catalog show is a low-cost way for New Jersey companies to gain exposure and develop leads in a new market. The State represents New Jersey businesses to interested buyers or representatives, distributes company literature and provide those leads to N.J. businesses.

Business Networking with Inbound Foreign Buying Missions

The State works with foreign governments to host incoming buying missions from the international business community and assists New Jersey companies in the identification of suitable trading partners.

Exporting

International Business Partnering

Targeted to meet the needs of exporters ready to sell their goods and services abroad, the State identifies partners for joint ventures, strategic alliances, distribution, representation and other collaborations, at no charge.

Working with international and federal contacts, the State coordinates customized “partner searches” for prospective agents and distributors who can effectively sell your firm’s products and services overseas. The State’s Global Business Specialists work with New Jersey companies from the consulting and research stage to the successful closure of the export sale.

Export.gov

Export.gov brings together US Government resources to assist U.S. businesses in planning their international sales strategies and succeed in today’s global marketplace. More information is available at: <http://www.export.gov/>.

Foreign Direct Investment

New Jersey - An Attractive Business Destination
New Jersey has historically been an attractive destination in the United States for foreign direct investment (FDI) because of its strategic location, educated and productive workforce, and outstanding infrastructure. Further, the State is located in the center of a two trillion dollar economy with access to 100 million consumers within a twenty-four hour drive.

New Jersey’s Global Business Team attracts new foreign direct investment through relationships the State forges with the foreign diplomatic, governmental and business communities. The attraction of new foreign direct investment and the promotion of international business partnerships to foster job retention and creation are key elements to New Jersey’s economic development.

Services

The State provides free customized investment consulting services to help international investors access state and local financing incentive programs and site selection services. Our highly qualified team of international representatives guides international firms through site selection to sale of product. More importantly, once a company establishes a presence in the State, our agencies and departments assist with their business development needs.

Educational Seminars

Through group seminars and individual sessions, the State helps exporters analyze their export potential and orient themselves to export techniques and strategies. The training helps existing New Jersey exporters improve export skills, and helps new-to-export companies enter the global market. Export education may include formal academic instruction, lectures from international industry participants, service training, and one-on-one consulting on the development of an international business plan. New exporters may also refer to “A Basic Guide to Exporting” published by the U.S. Department of Commerce and is available at <http://www.unzco.com/basicguide/index.html>.

Trade Advocacy

The State assists New Jersey companies with specific trade or export related issues in an effort to overcome trade barriers, bureaucratic problems, or unfair trading practices. Advocacy service includes:

- Support of New Jersey companies’ products and services in international procurement competitions
- Assistance for New Jersey companies to receive payments for exported products
- High-level, government-to-government advocacy on behalf of New Jersey firms competing for international projects

Exporting

Further information can be obtained by contacting the New Jersey Business Action Center at (866) 534-7789 or U.S. Department of Commerce Advocacy Center at:

U.S. Department of Commerce
4th Street & Constitution
Avenue, NW, Rm. 384-A
Washington, DC 20230
(202) 482-3896 / voice
(202) 482-3508 / fax

Import Assistance

The State of New Jersey provides companies located in New Jersey and interested in importing goods from overseas markets with a network of domestic and international contacts.

U.S. Customs and Border Protection, within the U.S. Department of Homeland Security, is the lead agency for addressing all questions and issues associated with importing products into the United States. More information may be found at <http://www.cbp.gov/>.

Further information regarding import tariffs may be found through the U.S. International Trade Commission at <http://www.usitc.gov/>, click on "Tariff Schedule."

Local Customs offices can also be contacted for import information. The country of origin of the goods ultimately determines which rate should be used for the importation. A comprehensive listing of U.S. Customs offices and contacts is available on the U.S. Customs and Border Protection Web site <http://www.cbp.gov/>.

Sources of Import Assistance

Foreign Embassies and Consulates in the United States

Promotion of their country's goods and services.
<http://www.embassy.org/embassies/index.html>

Customs Importation Guidelines for Commercial Importers

Importing into the United States.
<http://www.usitc.gov/trade>

Freight Forwarders

Local business telephone listings often feature a freight forwarder or transportation heading. The National Customs Brokers and Forwarders Association of America provides exporters with information on their members.

<http://www.ncbfaa.org/>

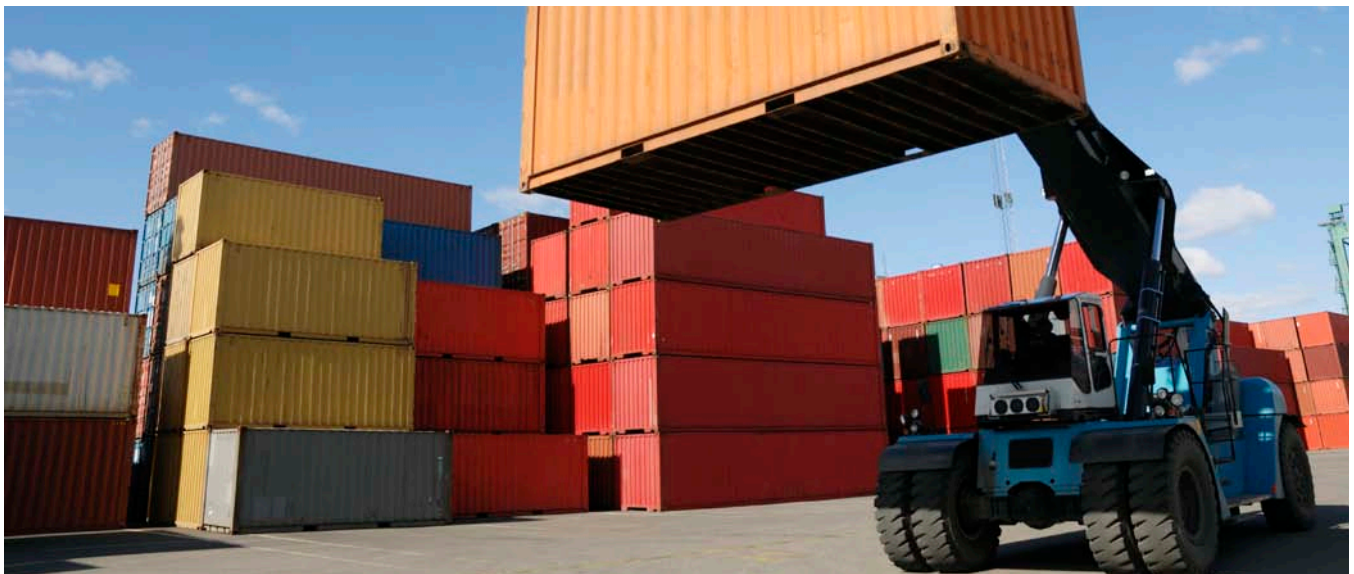
For more detailed information about New Jersey's global business services call (866) 534-7789 or go to www.NewJerseyBusiness.gov.



Exporting

Sources of Export Assistance

- The New Jersey Division of Markets promotes New Jersey agricultural products overseas and provides export development assistance to producers of fresh and processed agricultural products.
- The New Jersey District Export Council, an affiliate of the U.S. Department of Commerce, is an association of successful businesspersons who provide guidance and assistance to companies seeking to sell or expand into foreign markets.
- The International Trade Administration provides a comprehensive resource for information on all U.S. federal government export assistance programs.
- Business Development Assistance provides volunteer consultants with international trade experience from Service Corps of Retired Executives (SCORE) to help small businesses entrepreneurs make a preliminary assessment of their export marketing plans. In addition, export-training programs are co-sponsored by the SBA with various colleges and other organizations interested in international trade promotion.
- SBAtlas is a program where international market information is available for specific products that a small business is planning to export. Small firms can receive general information on whether there is a market for their products overseas, what the trends have been in these markets and what competition they will encounter in specific country markets.
- The export Legal Assistance Network is comprised of volunteer attorneys who provide New Jersey companies with a free one-hour consultation on subjects such as basic contractual agreements, letters of credit, joint venturing and licensing agreements, as well as an overview of legal requirements involved in entering particular markets.



Export Financing

Numerous export-financing sources are available. Business seeking financing assistance should first check with local or regional banks. In many cases these banks have international financing services.

In addition to local and regional lenders, exporters can obtain information from the following funding sources:

- New Jersey Economic Development Authority (EDA) works with New Jersey banks to provide revolving lines of credit to finance confirmed foreign orders. The EDA also has other bond financing and loan programs.
- Export-Import Bank of the U.S. helps exporters make sales when other sources of assistance are unavailable or inadequate. There are four available programs: Working Capital Guarantees; Export Credit Insurance; Loan Guarantees to Lenders; and Direct Loans. Exported goods must contain 50 percent of U.S. made material.
- Working Capital Guarantees are offered to lenders so they can provide exporters with working capital needed to buy, build or assemble U.S. products for export sales. The guarantees cover 90 percent of interest and principle.
- U. S. Small Business Administration (SBA) offers loan guarantees through its Export Working Capital Program to help small businesses export by providing financing for loans up to \$1 million.
- SBA Export Express is a loan program to help small businesses with exporting potential that need funds to buy or produce goods and/or services for export. Loans may be used for most business purposes including expansion, equipment purchases, working capital, inventory to real estate acquisition, and trade shows. Loans range up to \$300,000.
- The SBA offers financial assistance and business development services to exporters. To be eligible for these programs, firms must meet SBA size standards for the industry in which they are principally engaged.
- Through the Export Revolving Line of Credit program, the SBA can guarantee up to 85% of a bank line of credit to a small business exporter, not to exceed \$750,000 for SBA's share. In addition, the SBA and the Export-Import Bank of the U.S. (Ex-Im Bank) can co-guarantee up to 85 % of the loan amount of loans in amounts ranging from \$200,000 to \$1 million extended by private lenders.

Export-Import Bank of the U.S. (Ex-Im Bank) has a number of programs including:

- Export Credit Insurance that protects exporters and lenders against both commercial and political risks of a foreign buyer defaulting on payment.
- A variety of policies that establish short-term and medium-term sales, either on a single-buyer or multi-buyer basis and special programs that address the needs of small businesses and environmental exporters.
- Loan Guarantees to Lenders that encourage sales of U.S. – made capital equipment to creditworthy foreign buyers by having Ex-Im Bank assume all of the political and commercial risks of non-payment.

For more information about Export Financing, call 866-534-7789 or go to www.NewJerseyBusiness.gov.

Other Sources of Financial Assistance

New Jersey Banks With International Departments

Many banks have international departments that provide specialized services which are required for international trade transactions.

These services may include assistance in remittance and collection, currency exchange, commercial letters of credit, financing exports, establishing payment terms, collecting export receivables and providing necessary financial documentation.

Banks can also serve as a channel for trade leads and a source of credit information on potential customers through their contacts with their correspondent banks or through inquiries submitted by foreign entities.

Services:

- Collections
- Credit Information on Potential Foreign Customers
- Funds Transfer
- International Money Orders
- Foreign Exchange
- Foreign Currency Loans

Trade Financing:

- Acceptance Financing
- FCIA/Ex-Im Bank Financing
- Import Lines of Credit/Loans
- Import/Export Letters of Credit
- Pre-Export Financing
- Export Insurance

Division of Markets

New Jersey's Division of Markets promotes New Jersey agricultural products overseas and provides development assistance to small and medium-sized producers of fresh and processed agricultural products. Throughout the year, the division helps New Jersey growers, food processors and wholesalers participate in international and domestic trade shows, enabling these companies to sell their \$200 million worth of products in more than 100 foreign countries.

Through its membership in Food Export USA – Northeast along with its coordination with the U.S. Department of Agriculture and the Foreign Agricultural Service, the Division of Markets also provides the following services:

Trade Show Assistance

Small and medium-sized firms may participate at Food Export USA-Northeast domestic trade shows in a shared booth for a nominal fee. Foreign buyers are invited to attend these shows to purchase U.S. agricultural products.

Product Promotion Assistance

New Jersey helps companies obtain federal funds for market development activities through the USDA's Market Access Program (MAP), which helps American firms establish new foreign markets or increase their current foreign market share.

MAP enables New Jersey companies to receive reimbursement for up to 5 percent of eligible promotional expenditures. In addition, the department coordinates the participation of New Jersey food and agricultural companies at international food expositions.

Exporting

Trade Leads And Program Information

AgExport kits are available through the New Jersey Department of Agriculture. The AgExport kits are useful for new export companies as well as more experienced exporters. The kits include the AgExport magazine, a guide to available USDA export development services and order forms for foreign buyer lists, U.S. supplier lists and the buyer alert program. Export trade leads are collected and matched to potential exporters.

Educational Programs

Workshops, information and technical assistance are available for new-to-export firms.

Contact:

Division of Markets

John Fitch Plaza

P.O. Box 330

Trenton, NJ 08625

609-292-8853

www.state.nj.us/agriculture/markets

U.S. Commercial Services also has offices at:

Export Assistance Center

744 Broad Street

Newark, NJ 08102

973-645-4682

www.buyusa.gov

The International Trade Administration serves as a comprehensive resource for information on all U.S. federal government export assistance programs. Country-specific export counseling and customs procedures are among the available services.

1-800- 872-8723

www.export.gov/tic

The U.S. Agency for International Development, Global Technology Network (GTN) consists of a network of domestic and international partners that assist U.S. small and medium-sized firms seeking access to emerging overseas markets. GTN operates as an Internet-based communications and trade lead system, with a primary focus on agribusiness, communications and information technology, environment and energy, and health technology.

1-800-USA-Trade

www.usgtn.net

New Jersey's District Export Council is an affiliate of the U.S. Department of Commerce and is an association of successful business leaders who provide guidance and assistance to companies seeking to sell or expand in foreign markets.

973-645-4682

www.newjerseydec.com



Section 7: Resources

Business Advocacy & Economic Development Services

New Jersey is dedicated to helping businesses prosper and grow. One key aspect of this commitment is the New Jersey Business Action Center (BAC), a team reporting directly to Lt. Gov. Guadagno that brings a customer service approach to coordination and navigation across State and local government agencies for businesses looking to remain, expand or locate in New Jersey.

Project Coordination

New Jersey's BAC spearheads coordination efforts for projects involving multiple departments and agencies. The BAC has excellent working relationships with state, county and local government entities throughout New Jersey. You can rely on the BAC to save you valuable time and to put you in touch with the right people and the right agencies.

Financial and Incentive Program Advocacy

The BAC will walk you through all the business financing programs available to your business. Specifically, we can identify the programs your business is eligible for, and help locate the funding sources that best meet your unique needs. In addition, the BAC is invaluable when it comes time to begin the application process, providing helpful assistance in completing and filing the necessary paperwork. You can count on the BAC to answer any questions and provide guidance every step of the way.

Site Selection Services

New Jersey's BAC offers a full range of site selection solutions. These include development services such as assembling land and structuring financing. Additionally, we can provide considerable assistance in facilitating the permitting process.

Regulatory Assistance

By providing technical and compliance assistance for all expansion and relocation projects, New Jersey's BAC helps business to cut through red tape. By actively working with various state agencies and departments such as the Department of Environmental Protection, New Jersey Department of Transportation and the Department of Community Affairs the Team can study all the issues involved.

Business Action Center

If you can't find what you are looking for on the Web, you can get the answers you need by making one call to 1-866-534-7789. Professionally trained staff is available to provide you with direct assistance, guidance and information about state services available to the business community.



Resources

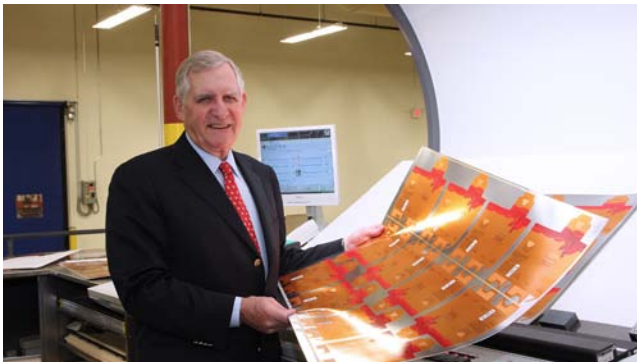
Entrepreneurial Training and Business Mentoring

The Entrepreneurial Training Initiative (ETI) is designed to guide new and aspiring business owners toward successful entrepreneurship.

This program consists of an entrepreneurial self-assessment tool, a two-part six-session workshop culminating in a completed business plan, and several opportunities to meet with various business professionals for feedback on their plan. Participants will also gain access to small business lenders and receive eighteen months of support from one of our business mentors to help navigate the issues many small businesses encounter.

ETI is sponsored by the EDA and provided through a partnership the UCEDC.

Visit www.ucedc.com or more information or call 866-534-7789



Regional Alliance for Small Contractors, Inc.

An Innovative Industry Partnership

A group of prestigious New York/New Jersey construction firms and public agencies joined together in 1989 to form the Regional Alliance for Small Contractors (RASC), a not-for-profit corporation.

This unique partnership pools public/private funding and utilizes volunteers to build a support system for small contractors so that they may be competitive in today's construction market.

RASC is led by major corporations in construction, small businesses and public agencies to help Small, Minority-owned, Women-owned and Disadvantaged Business Enterprises (S/M/W/DBE) compete openly and perform effectively on public and private sector contracts.

The Regional Alliance for Small Contracts (RASC) works to enable S/M/W/DBE contractors to realize growth in the construction and related industries. The Alliance provides an array of management, financial and market services, which are key factors in determining the profitability and growth of small contractors.

The RASC has these primary goals:

- Increase the number and size of contracts awarded to small businesses in construction and expand the range of their business opportunities.
- Expand the capacity of S/M/W/DBE businesses to undertake contracts of increasing size and complexity and to support their overall development.
- Strengthen the regional construction industry by promoting policies and practices that improve the competitive position of minority- and women-owned enterprises and small businesses.
- Promote the advancement of minorities and women as owners, managers and employees in the construction industry.

Resources

Volunteers from major construction firms are available to coach contractors interested in working on transportation and building projects. The facility contains a bid room, library, project specifications, educational materials and a workstation. The center is open Monday through Friday, 9 A.M. to 5 P.M.; evening and Saturday hours of operations are available by appointment.

The Regional Alliance For Small Contractors, Inc.

The Port Authority Bus Terminal
625 8th Avenue, North Wing, Second Floor
New York, NY 10018
Phone: 212-268-2991
Fax: 212-268-7509
www.regional-alliance.org

Program Contents

RASC operates a multifaceted program, which enables S/M/W/DBE contractors to realize success and growth in construction and related industries. Programs consist of an array of financial, management, marketing and contract compliance services.

Managing Growth

Experienced S/M/W/DBE contractors learn how to effectively manage and grow their businesses through an innovative and intensive professional training program called Managing Growth.

This series of more than 30 business and construction management training classes is designed and taught by senior construction executives and technical experts from RASC member firms focusing on practical applications to problems frequently encountered on the job site and in the office. Courses range from 10-18 hours in duration.

Some of the courses offered include:

- Contract Administration
- Estimating
- Project Management
- Project Planning and Scheduling
- Financial Strategies for the Growing Contractor
- Internet and the Construction Industry
- Construction Contract Law and Safety

Contract Compliance Services

RASC provides all services necessary to ensure that construction managers and owners comply with their project's federal, private or public sector EEO/AA/DBE obligations to administer and oversee program requirements.

RASC has developed comprehensive contract compliance programs and a data tracking system, monitoring programs and procedures to facilitate projects in excess of \$1 billion.

Financing Small Contractors

The Bonding and Loan Assistance Program, helps small contractors prepare applications for loans and bonds. Through participating banks, sureties and public lenders, contractors can receive working capital at market rates.

Contractors' Opportunities Clearinghouse

This program offers the opportunity to meet and speak one-on-one with representatives from large public development agencies and major construction firms.

S/M/W/DBE contractors learn about upcoming construction projects for the year and how to do business with the participating sponsors.

Resources

Loaned Executive Assistance Program (LEAP)

This program is a consultant service comprised of top construction professionals who provide small contractors with expert advice on construction and business management. Contractors who experience specific management or operational problems may call upon the services of the RASC LEAP specialist.

Advice and assistance in areas such as construction management, contract administration, cost control, scheduling, staffing, role clarification and growth strategies can be provided. RASC LEAP consultants cannot work in a staff engineering capacity. The program also gives pre-construction and on-site assistance to successful bidders and helps contractors qualify for work.

Outreach Referral Service

Each year, numerous calls are received from project owners, construction managers and developers seeking minority and women contractors. From our database of information, RASC makes referrals in response to these requests, providing business opportunities for hundreds of contractors.

The Procurement Technical Assistance Center at New Jersey Institute of Technology (NJIT)

The New Jersey Institute of Technology Defense Procurement Technical Assistance Center operates under a cost-sharing cooperative agreement between the Department of Defense and the university.

The center provides marketing, contractual and technical assistance to women- and minority-owned enterprises and small businesses in New Jersey that are interested in expanding their customer base to state and federal governmental agencies as well as large corporations.

Part of a national network of more than 100 centers, the NJIT Procurement Center reflects the university's commitment to public service by offering a competitive edge to businesses by making available realistic outreach services free of charge.

NJIT Procurement Center reaches out to the business community, educating and training firms so they are qualified to compete for government and large business procurement opportunities. The center assists in generating employment, improving the business climate and fostering economic stability.

Workshops are held throughout the state on a weekly basis and give participants a basic understanding of the procurement process. One-on-one counseling provides expert advice on all phases of contracting. The Center's main office is located on the campus of NJIT in Newark, with satellite offices in Trenton, Mount Holly and Atlantic City.



The Procurement Technical Assistance Center offers businesses an integrated marketing solution that includes, but is not limited to, the following:

- Access to marketing information on competitors' pricing history of the products that you sell.
- Bid matching a product or service to federal or state government buyers' requirements and e-mailing the results daily. This information provides you with both prime and subcontracting opportunities.
- Review of a proposal bid package, including a detailed explanation of the significance inherent in government unique terms and conditions as governed by the Federal Acquisition Regulations and New Jersey Statutes.
- Assistance in placing a company's vital marketing information where buyers go to find vendors such as SAVI-II, PRO-Net and the Central Contractor Registration Web sites.
- Information as to the various methods of responding to the customer's purchasing requirements by introducing business to the various forms of Electronic Commerce-EDI.
- Leverage a firm's unique characteristics by positioning your firm to fully utilize the various marketing tools available to be more competitive, such as: certification as a Woman Business Enterprise (WBE), a Minority Business Enterprise (MBE), a Disadvantaged Business Enterprise (DBE), an 8(a) firm, a Small Disadvantaged Business (SDB), a HUBZone and a Service Disabled Veteran company.
- Information on government-financed research programs under the Small Business Innovation Research program (SBIR).
- Assist with disputes resolution, bid protests and Certificate of Competence to avoid loss of sales volume.

For more information contact:

NJIT/DPTAC
973-596-3105
www.njit.edu/DPTAC

The New Jersey Small Business Development Centers (NJSBDC)

The New Jersey Small Business Development Centers (NJSBDC) network provides free management consulting services and affordable training to help established small business owners manage their businesses more effectively, gain access to financing, create new jobs and generate new revenue in New Jersey. NJSBDC is part of a national partnership between the federal and state governments, colleges and universities and the private sector.

Eleven full-service offices provide assistance with a range of business topics including business planning, marketing and accessing financing.

Small business owners are assisted in exploring the feasibility of their business ideas, assessing their business plans, making cash flow projections and developing accurate financial statements, formulating marketing strategies and preparing loan applications. NJSBDC also assists prime and sub-contractors to do business with the State and obtain certification to do business with corporations and the Federal government.

Statewide specialty programs work with growing companies to provide assistance for implementation of information technology, identifying and soliciting government contracts, commercializing new technologies and exploring opportunities in international trade.

Resources

Small Business Registration and Government Procurement

The NJSBDC Small Business and Government Procurement program helps established businesses acquire the appropriate registrations and certifications to bid on Federal, State and local contracts. Special assistance is available to help companies certify their business as Small Business Enterprises (SBE), Women Business Enterprises (WBE), and Minority Business Enterprises (MBE) in conjunction with New Jersey's set-aside program for bidding on State contracts. Small businesses receive assistance with identifying and soliciting government, corporate and federal contracts and are provided with manufacturing opportunities. The Procurement program also provides coaching and training on doing business with the various entities.

Pre-Qualification Assistance Programs (Emerging Markets)

The Emerging Markets/Special Projects (EM/SP Program) was created to expand opportunities for growth segments of the population, including African-Americans, Latinos and Asian-Americans.

The EM/SP Program works with entrepreneurs and business owners to become involved in economic development initiatives, identify new markets and take advantage of franchise opportunities. The program assists construction and construction-related professional service companies to become pre-qualified and classified for construction projects with NJ School Construction Corporation.

E-Business Services

The NJSBDC E-Business program works with established small businesses to integrate information technology into their business plans. Services include evaluation of existing Web sites, recommendations for new Web design strategies and assistance in identifying technology resources and working with vendors.

In addition, this program coordinates market research services on behalf of NJSBDC clients.

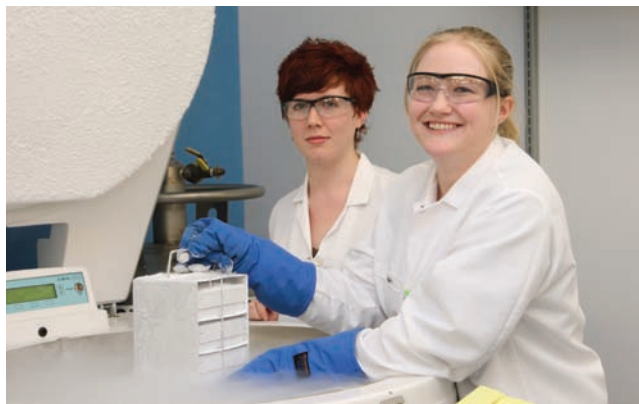
International Trade

The NJSBDC International Trade program helps small businesses expand their domestic operations by exploring opportunities to market internationally and leverage existing export resources offered by the State and Federal governments.

Technology Commercialization

Since NJSBDC began providing services in 1977, over 290, 000 people have received free, confidential, one-to-one consulting and affordable education.

NJSBDC is funded by the U.S. Small Business Administration; New Jersey Commerce Commission; Rutgers Business School: Graduate Programs: Newark and New Brunswick; and a network of college and university hosts throughout New Jersey.



Resources

NJSBDC Headquarters

New Jersey Small Business Development Centers
Rutgers Business School-Newark and New Brunswick
University Heights - 49 Bleeker Street
Newark, NJ 07102-1913
973-353-1927
FAX 973-353-1110
www.njsbdc.com

NJSBDC Specialty Programs (Statewide)

E-Business Services
49 Bleeker Street
Newark, NJ 07102-1913
800-432-1565
www.njsbdc.com/ebusiness

Emerging Markets/Special Projects

43 Bleeker Street
Newark, NJ 07102-1913
973-353-5950
www.njsbdc.com/schoolconstruction

Government Procurement Programs

43 Bleeker Street
Newark, NJ 07102-1913
973-353-5960
www.njsbdc.com/procurement

International Trade Program

49 Bleeker Street
Newark, NJ 07102-1913
800-432-1565
www.njsbdc.com/international

Technology Commercialization Center

43 Bleeker Street
Newark, NJ 07102-1913
800-432-1562
www.njsbdc.com/scitech

NJSBDC Regional Centers

Atlantic and Cape May Counties SBDC
(Serving Atlantic, Cumberland and Cape May Counties)
5100 Harding Highway
Mays Landing, NJ 08330
609-347-2174

Affiliate Offices:

- Cape May County Chamber of Commerce, Cape May Court House New Jersey
- Sun Bank, Atlantic City

Bergen Community College SBDC

(Serving Bergen County)
Bergen Community College c/o Ciarco Learning Center
355 Main Street
Hackensack, NJ 07652
201-489-8670

Kean University SBDC

(Serving Union County)
East Campus, Room 242
Union, NJ 07083
908-737-4220

Affiliate Offices:

- The Incubator in Plainfield
- Rexpex in Elizabeth

Mercer/Middlesex SBDC at The College of NJ

(Serving Mercer and Middlesex Counties)
2000 Pennington Ave
Ewing, NJ 08628
609-771-2947

Affiliate Offices:

- Trenton Business and Technology Center
- Rutgers Center for Advanced Foods Technology, Piscataway

Resources

Monmouth/Ocean SBDC

(Serving Monmouth and Ocean Counties)
Brookdale Community College
Larrison Hall, Room 202
765 Newman Springs Road
Lincroft, NJ 07738
732-842-8685

Affiliate Office:

- Ocean County College in Toms River

New Jersey City University SBDC

(Serving Hudson County)
20 College Street
Jersey City, NJ 07301
201-200-2156

Affiliate Offices:

- Fleet Community Renaissance Initiative Center, Jersey City
- Hudson County Community College, Jersey City
- Bayonne Economic Development Corporation, Bayonne

Raritan Valley Community College SBDC

(Serving Hunterdon and Somerset Counties)
Route 28 and Lamington Road
Information Center, South Building
North Branch, NJ 08876

Mailing Address:

Raritan Valley Community College
Corporate and Continuing Education
P.O. Box 3300
Somerville, NJ 08876-1265
908-526-1200 x8516

Affiliate Offices:

- Franklin Township Municipal Building, Somerset
- Yardville National Bank, Flemington

Rutgers, The State University Of New Jersey Campus At Camden - SBDC

(Serving Camden, Gloucester, Salem and Burlington Counties)
325 Cooper Street
Camden, NJ 08102
856-225-6221

Affiliate Offices:

- Camden County College in Camden
- Gloucester County Library in Mullica Hill
- Gloucester County Business and Economic Development in Woodbury
- Salem County Dept. of Economic Development in Salem
- Camden County Store in Voorhees
- Burlington County Library in Westhampton

Rutgers, The State University Of New Jersey Campus At Newark - SBDC

(Serving Essex County)
University Heights
43 Bleeker Street
Newark, NJ 07102-1897
973-353-5950

Centenary College/Skylands SBDC

(Serving Warren, Morris and Sussex Counties)
475 Rt. 57 West
Washington, NJ 07882-9605
908-852-1400 Ext. 2136

Affiliate Office:

- County College of Morris in Randolph, NJ 07869

William Paterson University SBDC

(Serving Passaic County)
300 Pompton Road
Wayne, NJ 07470
973-754-8695

Affiliate Office:

- Paterson Urban SBDC in Paterson

Resources

Business Management Counseling from Service Corps of Retired Executives (SCORE)

Individuals who are already in business or who are planning on going into business can obtain free business counseling from SCORE – Counselors to American's Small Business. SCORE, which is sponsored by the Small Business Administration, is a 10,500 – member volunteer association of business executives and professionals that provides small businesses with advice and counsel. For more information and/or assistance contact the SCORE location nearest you.

www.score.org

County Listings

ATLANTIC COUNTY

Byrd Computers
1501 S. New Rd.
Pleasantville, NJ 08232
609-484-9503
10 am – 1 pm & 6 pm – 8 pm Tues/Thursday
Also by appointment Monday/Saturday

BERGEN COUNTY

Community Services Bldg. of Bergen County
327 E. Ridgewood Avenue
Paramus, NJ 07652
201-599-6090
Friday 9:30am – Noon

Women's Center
108 W. Palisade Ave.
Englewood, NJ 07601
201-568-1166
3rd Wednesday 9 am-12:30 pm

Greater Hackensack Chamber of Commerce
5 University Plaza Dr.
Hackensack, NJ 07601
201-489-3700
By appointment only

Air Services Development Office
2 Gateway Center
Newark, NJ 07102
(973) 645-3982
By appointment only

CAPE MAY COUNTY

Main Street Wildwood, Inc.
3306 Pacific Avenue
PO Box 1781
Wildwood, NJ 08260
732-505-6033
By appointment only

Cape May County Chamber of Commerce
Crest Haven & Garden State Parkway
Cape May Courthouse, NJ 08210
732-505-6033
By appointment only

ESSEX COUNTY

U.S. Small Business Administration
2 Gateway Center, 15th Floor
Newark, NJ 07102
973-645-3982
Monday thru Friday 9:00am - 2:00pm
newarkscore@yahoo.com

North Essex Chamber of Commerce
3 Fairfield Ave.
West Caldwell, NJ 07006
973-226-5500
By appointment only

GLOUCESTER COUNTY

See Camden County

HUDSON COUNTY

Jersey City Economic Development Corporation
30 Montgomery Street
Jersey City, NJ 07302
201-333-7797, Ext. 12
Monday & Wednesday 9:00am - 2:00pm

Resources

Secaucus Free Public Library and Business Resource Center
1379 Paterson Plank Rd.
Secaucus, NJ 07093
201-330-2083
By appointment only

Union City Public Library
324 43rd St.
Union City, NJ 07087
201-866-7500
By appointment only

North Bergen Free Library
8411 Bergenline Ave.
North Bergen, NJ 07047
201-869-4715
By appointment only

HUNTERDON COUNTY

See Mercer or Somerset County

MONMOUTH COUNTY

Brookdale Community College
765 Newman Springs Road
Lincroft, NJ 07738
732-224-2573
By appointment only

Eastern Monmouth Area Chamber of Commerce
170 Broad Street
Red Bank, NJ 07701
732-741-0055
Every other Thursday 2 pm – 4

Monmouth County Library
125 Symmes Drive
Manalapan, NJ 07726
732-431-7242
Tuesday 2pm - 4pm;
Thursday 7 pm – 9 pm

Southern Monmouth Chamber of Commerce
Colfax Plaza
2510 Belmar Blvd., Suite 1-20
Wall, NJ 07119
732-280-8800
Every other Tuesday 2 pm-4pm

Wall Township Library
2700 Allaire Road
Wall, NJ 07719
732-449-8877
1st & 4th Monday 7 pm-9 pm

Western Monmouth Chamber of Commerce
17 Broad Street
Freehold, NJ 07728
732-462-3030
Thursday 2 pm-4-pm

Northern Monmouth Chamber of Commerce
500 State Highway 36, Suite 204-205
Navesink, NJ 07752
732-291-7870
Every other Wednesday 3 pm-5 pm

Brookdale College Learning Center
213 Broadway
Long Branch, NJ 07740
732-229-8440, Ext. 3000
Every other Thursday 2 pm-4 pm



Resources

MORRIS COUNTY

Morris County Chamber of Commerce
25 Lindsley Drive, Suite 105
Morristown, NJ 07960
973-539-3882
Monday 9 am - Noon

County College of Morris
214 Center Grove Rd.
Student Center
Randolph, NJ 07869
973-328-5187
Thursday 9 am-Noon

Fairleigh Dickinson University
285 Madison Avenue
Madison, NJ 07940
973-377-2281
Wednesday 9 am – Noon

OCEAN COUNTY

Toms River Township Municipal Building
33 Washington Street
Toms River, NJ 08753
732-505-6033
Tues.-Thurs. 10 am - pm;
Tues. & Thurs. 6:30 pm-8:30 pm

Southern Ocean County Chamber of Commerce
265 West Ninth Street
Ship Bottom, NJ 08008
609-494-7211
Thursday 10 am - 3:00 pm

SALEM COUNTY

See Camden County

SOMERSET COUNTY

Raritan Valley Community College
Route 28 & Lamington Road
North Branch, NJ 08876
908-526-1200 ext. 8235
Tuesday s 7 pm – 9 pm
Wed. 1 pm-3 pm
Thursday 10 am –Noon
By appointment

SUSSEX COUNTY

Sussex County Community College
College Hill, E-101
Newton, NJ 07860
973-300-2100
Every other Monday 9:15 am - 12:15 pm
Every other Tuesday 6:30 pm - 8:30 pm

UNION COUNTY

Suburban Chamber of Commerce
71 Summit Avenue
Summit, NJ 07901
908-522-1700
Tuesday 9 am – Noon

Union Township
Chamber of Commerce
355 Chestnut Street
Union, NJ 07083
908-688-2777
Tuesdays 9 am– Noon

Greater Elizabeth Chamber of Commerce
Independence Community Bank
456 N. Broad Street
Elizabeth, NJ 07208
908-355-7600
Tuesday by appointment.

Plainfield Public Library
8th St. at Park Ave.
Plainfield, NJ 07060
908-757-1111, Ex.144
By appointment

Resources

Westfield Area Chamber of Commerce
105 Elm St.
Westfield, NJ 07091
908-233-3021

WARREN COUNTY

Warren County Community College
Skylands SBDC
475 Rte. 57 West
Washington, NJ 07882-9605
908-689-9620
1st Monday evening of each month

The Women's Business Center

The Women's Business Center supports and encourages women's business ownership by providing a full spectrum of programs to maximize business growth and profitability, simplify management methods, improve business skills and obtain a support, referral and resource network.

The Center is operated by the New Jersey Association of Women Business Owners (NJAWBO) and is partially funded by the U.S. Small Business Administration's Office of Women's Business Ownership, the State of New Jersey, the Women's Entrepreneur Foundation and corporate sponsors.

NJAWBO Women's Business Center
Windsor Business Park Bldg. 4B
186 Princeton Hightstown Rd.
West Windsor, NJ 08550
609-799-5101
www.njawbo.org

Frequently Utilized Telephone Numbers

Federal Trade Commission - Northeast Region
1 Bowling Green
New York, NY 10004
877-FTC-HELP (382-4357)

NJ Department of Law & Public Safety, Division of Consumer Affairs
124 Halsey Street
Newark, NJ 07102
973-504-6200

NJ Library Association
P.O. Box 1534
4 West Lafayette Street
Trenton, NJ 08608
609-394-8032

NJ Retail Merchants Association
332 West State Street
Trenton, NJ 08618
609-393-8006

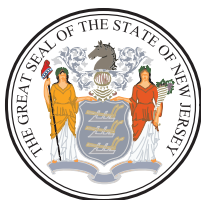
NJ State Bar Association
1 Constitution Square
New Brunswick, NJ 08901
732-249-5000

NJ State Chamber of Commerce
216 West State Street
Trenton, NJ 08608
609-989-7888

Business Action Center
225 West State Street - P.O. Box 820
Trenton, NJ 08625-0820
866-534-7789

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