



2020

# **HEN TOOLKIT**

**HARVEST ENTREPRENEUR NETWORK**



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*Contents of this Reference Book were Collected and Assembled by Community & Economic Development Associates in an effort to provide relevant, local and helpful information for entrepreneurs and small business owners in the agricultural industry.*

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*This toolkit is meant to be informational only and should not be used as a legal or financial authority; CEDA cannot be held responsible for information that is incorrect or outdated.*

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# Rural Business Startup 101

Are you interested in starting a rural business? Do you own a small business and are just missing some information about how to make your business more successful? This Toolkit is designed to provide helpful information to both current and potential agriculture related business owners located in and around Minnesota.

Examples of forms and applications referenced in this Toolkit can be found in the Appendix at the back of this book.



“The way to get started is to quit talking and begin doing.”

- Walt Disney

## Before You Begin

Before starting your business in agriculture, you will want to determine your offering and the market demand. The best business ideas come by identifying a need or solving a problem for customers. You will also want to be sure that you have a strong support system in place. Starting a business can be stressful and overwhelming at times. It is helpful to have someone you know you can trust for emotional support.

Running a successful venture requires a lot of hard work and effort, no matter how large or small. Many new business owners dream of flexible hours, profits and the satisfaction of finally doing just what they want. However, the reality of the situation is that owning a business is really hard! There are a few things that every small business owner needs to keep in mind going into a new venture:



- **Success doesn't come fast.** It takes time and hard work to be successful.
- **There are NO business hours for you.** You'll be taking care of things even when your business is closed. You'll have to address issues as they appear, regardless of them popping up during the night or on weekends.
- **You'll need advisors.** A lot of business owners want to decide everything on their own. While you'll have to decide certain key aspects of your business, you should have a trusted partner or advisor to bounce ideas off of. This will help keep you out of your head so you are able to see the bigger picture.
- **Your Business Isn't About You:** The hard truth is, it isn't. Yes, you are the one who devised the business, put in hours of your time and funded the whole thing. The reality is, it is always about your customers, as they are the ones you are seeking to serve. Just don't forget, the customer is NOT always right!

Before moving ahead with your business, be sure to take some time and answer the following questions. If you are unable to answer one of them, that is okay. But it does identify an area where you still need more work before you get started.

- What do I want to sell?
- What will the product/service do?
- What problem does my product/service solve?
- How is it different from what currently exists?
- Who is my target audience?
- How much will they be willing to pay for it?
- Do I have enough capital and resources?
- Do I have a solid business plan?
- Do I have the necessary skills?

Understanding the competition is another important step. When you have a solid understanding of what currently exists, you are better able to identify gaps and unfulfilled needs. Getting a grasp of your competition can help you get a starting point with pricing, marketing, etc.

Before you can turn that idea into a reality, you have to choose your business name!

Finding the right name for your business can have a significant impact on your success. Here are some tips when selecting yours:



- Avoid hard-to-spell names.  
Don't pick a name that could be limiting as your business grows.
- Conduct a thorough internet search on potential names to ensure it is not already being used. Be sure to look at all potential meanings of your name, as well as a trademark search.
- Come up with five names you like, then test the name with friends, customers, or potential customers.

# Identify your Agricultural Business

What type of a business are you looking to start? Will you be growing crops? Raising animals? Managing a produce booth at your local farmer's market? Each type of business will require some additional research into the specifics of your business. Once you have determined which services you would like to offer, you will be better equipped to write your business plan. A leading publication for small business owners, Small Business Trends, has assembled a list of agricultural businesses to help get you started.

- Urban Agriculture: You don't need a huge space to get into the agriculture business. If you have a city or suburban home, you can still plant some crops in small or vertical containers to get the most out of your space.
- Farmer's Market Vending: Whether you live in the city or country, you can take the food that you grow or produce and sell it at local farmers' markets to earn an income.
- Herb Growing: Herbs like basil, parsley and mint can make for great agriculture products to grow and sell.
- Vegetable Farming: You can also plant a variety of different vegetables and harvest them to sell or make into different products.
- Livestock Feed Manufacturing: Even if you don't have enough space to actually farm livestock, you can still contribute to the industry by manufacturing feed for livestock.
- Fruit Growing: Or you could grow and harvest various types of fruit to sell or make into other fruit based products.
- Field Crop Farming: Soybeans, corn and other types of crops require a fair amount of field space to grow. But if you have the land, you can harvest specific crops to sell to food producers.
- Nursery Operation: You can also start your own nursery where you grow and sell different types of plants to consumers or businesses.
- Dairy Farming: If you have the space and the ability to care for cows or other dairy animals, you could start your own dairy farm where you produce milk, cheese and similar products.
- Poultry Farming: Or you could focus on caring for chickens and other poultry animals to supply food production companies.

- Fish Farming: Fish farming is also a growing sector of agriculture – or in this case, aquaculture – industry. The process requires raising fish in large tanks or enclosures.
- Rabbit Raising: You can also raise rabbits for a variety of different purposes within small pens or similar enclosures.
- Snail Farming: If you're looking for a very small type of animal to raise, you might consider snails. It might sound strange, but you can raise snails for use in escargot. And snail slime can also be used by companies for a variety of different purposes.
- Mushroom Farming: You could also start a farm where you focus specifically on growing various types of mushrooms.
- Beekeeping: Beekeeping is an activity that can lead to a variety of different product-based business ventures.
- Honey Production: For example, you can harvest honey from beehives and sell it to consumers or processors.
- Beeswax Processing: You can also collect and process beeswax and sell it to companies or individuals that use it to make candles and similar products.
- Soy Production: Soy is another popular substance that can be used in a variety of different products. So if you can harvest and process it, you can sell it to companies for various uses.
- Food Delivery: If you grow or process food items, you can also build a business around delivering fresh food items to local consumers who want to buy local products.
- Bulk Foodstuff Wholesaling: You could also harvest food that can be sold in bulk, like rice or corn products, that you can sell wholesale to food production companies.
- Weed Killer Production: Or you could start a B2B business that produces weed killer specifically for farmers or other agricultural businesses.
- Fruit Canning: If you grow or process fruit, you can sell it to consumers or food companies.
- Jam Production: Or you could process various fruits even further to make into canned jam or jelly products.
- Juice Production: Juice is another popular fruit based product that you could potentially make and sell at farmers' markets or other venues.
- Meat Packing: You can also start a business that processes meat products to sell to consumers or grocery markets.
- Hatchery Operation: Or you could focus on collecting and selling chicken eggs.



- Florist Business: You could even start a florist business where you grow your own flowers to use in different products and arrangements.
- Spice Production: There are also plenty of different plants you can grow that will allow you to create various spices that you can process and sell.
- Nut Processing: Or you could grow peanuts or similar products that you can package and sell.
- Organic Gardening: You could also specialize in organic gardening practices so you can market your products to health and eco-conscious consumers.
- Sustainable Farm Consulting: Or you could even offer your expertise to other farmers or agriculture businesses that want to utilize sustainable methods as a consultant.
- Agricultural Equipment Rental: If you have the capital to purchase farming or agriculture equipment, you could start a business where you rent or lease that equipment out to farmers.
- Christmas Tree Farming: You could also grow pine trees on your property and then sell them to nearby customers around the holidays to use as Christmas trees.
- Firewood Production: Or if you have other types of trees on your land, you could sell the firewood to those who need it. Creating a long term sustainable business would depend on expanding the amount of land on which you can harvest trees and also systematic replenishment through continuous replanting.
- Tree Seed Supply: You could also harvest seeds from different trees and sell them to people who want to plant new ones.
- Oil Production: There are also various types of plants that you can use to produce oil for cooking or other purposes. So you can process that oil process to sell.
- Potted Plant Sales: Or you could grow different types of plants and then sell them in pots to gardeners or consumers looking for houseplants.
- Butterfly Farming: Gardeners can often use butterflies to aid in their growing processes and aesthetics. So you could start your own butterfly colony and target gardening customers.
- Wool Production: Or you could focus on raising animals like sheep and alpaca for wool production.
- Pet Food Production: You could also use a variety of different crops and food products to create pet food that you can sell to consumers.

- Planting Service: If you don't have your own farm but still want to build a business centered around planting crops, you could start your own planting service and work with other farmers or growers in your area.
- Corn Maze Operation: If you have corn plots on your property, you can create a corn maze that you can charge people to visit throughout part of the year.
- Petting Zoo Operation: You could also raise certain animals and then welcome visitors to your farm as part of a petting zoo attraction.
- Educational Farming: Or you could have a farm where you welcome student groups or those interested in learning more about farming.
- Trail Ride Service: If you have a tractor or other vehicle that you can drive around to different parts of your farm or property, you can offer trail rides as another paid attraction.
- Agritourism: You could also offer a whole tourist experience at your farm where people can come visit and maybe even stay as part of a bed and breakfast type of experience.
- Fee Hunting: And if you have land that is large enough and has certain types of animals on it, you could even let people pay to visit for hunting purposes.

# Writing a Business Plan

## “How complicated is it really”?

Nothing is more critical to a new farm business than a good farm business plan. This is your roadmap to start-up, profitability and growth. It also provides a foundation for other entities while you are seeking funding and/or assistance. The business plan describes the business: its product or service, market, people and financing needs. A well-prepared business plan serves several purposes:

- For a new business, it helps the owner determine the feasibility and desirability of pursuing the steps necessary to start a business.
- For a company seeking financing, it is an important sales tool for raising capital from outside investors.
- For an existing business, the plan forms the basis of a more detailed operational plan and thus becomes an important management tool for monitoring the growth of the firm and charting future directions.



## Where can you get assistance in writing a business plan?

- Small Business Development Center (SBDC)
- Small Business Administration (SBA)
- United States Department of Agriculture (USDA)
- University of Minnesota Extension Office

There are two types of business plans to consider when you are ready to begin:

1. **Traditional Business Plan:** This type of plan is very detailed, takes more time to write, and is comprehensive. Lenders and investors commonly request this plan. (Traditional Business Plan, 2016)
2. **Lean Startup Plan:** This type of plan is high-level focus, fast to write, and contains key elements only. Some lenders and investors may ask for more information. (Lean Business Plan)

**The following shows the format of both the traditional and lean business plans:**  
examples of both plans can be found in the appendix at the end of this toolkit. (see footnotes on next page)

### **Traditional Business Plan Format<sup>1</sup>**

You might prefer a traditional business plan format if you're very detail oriented, want a comprehensive plan, or plan to request financing from traditional sources. When you write your business plan, you don't have to stick to the exact business plan outline. Instead, use the sections that make the most sense for your business and your needs. Traditional business plans use some combination of these nine sections.

#### **Executive summary**

Your executive summary is a snapshot of your business plan as a whole and touches on your company profile and goals. Tell the reader what problem your product or service solves and why your solution is ultimately the best. Briefly tell your reader what your company is and why it will be successful. Include: your mission statement, your product or service, basic information about your company's leadership team, employees, and location. You should also include believable market and financial projections and high-level growth plans if you plan to ask for financing.

#### **Company description**

Use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve. Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store? Your company description is the place to boast about your strengths.

#### **Market analysis**

You'll need a good understanding of your industry outlook and target market. Competitive research will show you what other businesses are doing and what their strengths are. In your market research, look for trends and themes. What do

<sup>1</sup> Sample Traditional Business Plan (Appendix A, page 71)

successful competitors do? Why does it work? Can you do it better? Now's the time to answer these questions.

### **Organization and management**

Tell your reader how your company will be structured and who will run it.

Describe the legal structure of your business. State whether you have or intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or LLC.

Use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Consider including resumes and CVs of key members of your team.

**“The only place where success comes before work is in the dictionary.”**

**- Vidal Sassoon**

### **Service or product line**

Describe what you sell or what service you offer. Explain how it benefits your customers and what the product life cycle looks like. Share your plans for intellectual property, like copyright or patent filings. If you're doing research and development for your service or product, explain it in detail.

### **Marketing and sales**

There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs.

Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll refer to this section later when you make financial projections, so make sure to thoroughly describe your complete marketing and sales strategies.

### **Funding request**

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for. Specify whether you want debt or equity, the terms you'd

like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.

### **Financial projections**

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now.

Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly – or even monthly – projections. Make sure to clearly explain your projections, and match them to your funding requests. This is a great place to use graphs and charts to tell the financial story of your business.

### **Appendix**

Use your appendix to provide supporting documents or other materials that were specially requested. Common items to include are credit histories, resumes, product pictures, letters of reference, licenses, permits, or patents, legal documents, permits, and other contracts.

***“Many of life’s failures are people who did not realize how close they were to success when they gave up.”***

***- Thomas Edison***

## **Lean Business Plan Format<sup>2</sup>**

You might prefer a lean startup format if you want to explain or start your business quickly, your business is relatively simple, or you plan to regularly change and refine your business plan. Lean startup formats are charts that use only a handful of elements to describe your company's value proposition, infrastructure, customers, and finances. They're useful for visualizing tradeoffs and fundamental facts about your company. There are many versions of lean startup templates, but one of the oldest and most well-known is the Business Model Canvas, developed by Alex Osterwalder. You can search the web to find free templates of the Business Model canvas, or other versions, to build your business plan. We'll discuss the nine components of the Business Model Canvas version here.

### **Key partnerships**

Note the other businesses or services you'll work with to run your business. Think about suppliers, manufacturers, subcontractors and similar strategic partners.

### **Key activities**

List the ways your business will gain a competitive advantage. Highlight things like selling directly to consumers, or using technology to tap into the sharing economy.

### **Key resources**

List any resource you'll leverage to create value for your customer. Your most important assets could include staff, capital, or intellectual property. Don't forget to leverage business resources that might be available to women, veterans, Native Americans, and HUBZone businesses.

### **Value proposition**

Make a clear and compelling statement about the unique value your company brings to the market.

### **Customer relationships**

Describe how customers will interact with your business. Is it automated or personal? In person or online? Think through the customer experience from start to finish.

<sup>2</sup> Sample Lean Business Plan (Appendix B, page 77)

**Customer segments**

Be specific when you name your target market. Your business won't be for everybody, so it's important to have a clear sense of who your business will serve.

**Channels**

List the most important ways you'll talk to your customers. Most businesses use a mix of channels and optimize them over time.

**Cost structure**

Will your company focus on reducing cost or maximizing value? Define your strategy, then list the most significant costs you'll face pursuing it.

**Revenue streams**

Explain how your company will actually make money. Some examples are direct sales, memberships fees, and selling advertising space. If your company has multiple revenue streams, list them all.



# Business Registration

One of the fundamental initial decisions a new business owner faces is choosing the form of organization for the business. The following describes the different types and the tax reporting methods for each. Additionally, a ‘Fee Schedule for Business Entity Filings’ for the State of Minnesota can be found in the appendix of this toolkit.<sup>3</sup>

**Quick tip!** The nonprofit Farm Commons also has many resources on the various ways to structure your ag business. Visit their website to learn more: <https://farmcommons.org/>

## How Should You Register Your Business?

**LLC – Limited Liability Company:** A hybrid form of partnership that is gaining popularity because it allows owners to take advantage of the benefits of both the corporation and partnership forms of business. A LLC may have one or more members. The members of LLCs have some flexibility with respect to the federal income tax treatment of their entities. A LLC with more than one member will be taxed as a partnership unless it elects to be taxed as a corporation and a limited liability company with only one member will be taxed as a sole proprietorship unless it elects to be taxed as a corporation. LLCs may be managed by its members, by a board of governors, or a manager.



**Corporation:** A corporation is a separate legal entity created to conduct business. It is owned by one or more shareholders. The corporation must be established in compliance with the statutory requirements of the state of Minnesota. The shareholders elect a board of directors which has responsibility for management and control of the corporation. Because the corporation is a separate legal entity, the corporation is responsible for the debts and obligations of the business.

**S. Corp - Subchapter S of IRS Code:** An S corporation election may be made by the shareholders of a corporation if the corporation meets the statutory requirements. Income and expenses of the S corporation “pass through” to the shareholders in proportion to their shareholdings, and then are taxed to them at their individual rates. Under the IRS

<sup>3</sup> Minnesota Secretary of State Fee Schedule for Business Entity Filings (Appendix C. Page 78)

Code, an S corporation may have only one class of stock (i.e., corporations, partnerships, LLCs) except for certain estates, trusts and certain tax exempt entities. The federal 2004 American Jobs Creation Act allows an S corporation to treat shareholders with six generations of one family as one shareholder, thus allowing family business S corporations to distribute shares to family members of existing shareholders without these new shareholders being counted against the 100 shareholders limit.

**C. Corp - Subchapter C of IRS Code:** A C corporation reports its income and expenses on a corporation income tax return and is taxed on these profits at corporate income tax rates. The Minnesota corporate franchise tax, sometimes called an income tax, is based on the portion of a C corporation's income that is allocated to Minnesota. Profits are taxed without regard to payment of dividends, which generally are not referred to as "double taxation" because this effectively taxes operating income twice, once to the corporation and then again when distributed to the owners, although it actually is two separate taxpayers being taxed on their separate income.

**Sole Proprietorship:** In a sole proprietorship, the business is owned and controlled by one individual. This is the most common and easiest form of business organization. This person alone receives the profits and bears the losses from the business, and this person alone is responsible for the debts and obligations of the business. Income and expenses of the business are reported on the proprietor's individual income tax return, and profits are taxed at the proprietor's income tax rate. There are no statutory requirements unique to this form of organization. From a regulatory standpoint, the business owner only needs to register the business name as an assumed name, obtain business licenses and tax identification numbers if necessary, and begin operations.

**General Partnership:** This type of partnership is a business owned by two or more persons who associate to carry on the business as a partnership, agreeing to share in the profits and losses of a business. Partnerships have specific attributes, which are defined by statute. All partners in a general partnership share equally in the right, and responsibility, to manage the business, and each partner is responsible for all the debts and obligations of the business. Distribution of profits and losses, allocation of management responsibilities, and other issues affecting the partnership usually are defined in a written partnership agreement. Income and expenses of the partnership are on federal and state "information" tax returns, which are filed by the partnership. These include Schedules K-1 which are used to report to the partner's respective shares of partnership taxable income. The

partners then report this income on their separate tax returns along with their other income and pay tax at their applicable income tax rates.

**Non-Profit:** A Minnesota nonprofit corporation is defined by statute as a corporation which is formed for a purpose not involving pecuniary gain to its members (other than members that are nonprofit organization or governmental units), and pays no dividends or other pecuniary remuneration, directly or indirectly, to its members as such (other than to members that are nonprofit organizations or governmental units). For more information on Starting a Nonprofit, see the Minnesota Council of Nonprofits at: <https://www.minnesotanonprofits.org/>

### **Be Clear with Co-Founders**

If you begin your business with co-founders, you must agree early on about the details of your relationship. Not doing so can potentially cause enormous problems down the road. Think of a founder agreement as a business “prenuptial agreement”. These are some of the key items that a founder agreement needs to address:

- Who gets what percentage of the company?
- Is the percentage ownership subject to vesting based on continued participation in the business?
- What are the roles and responsibilities of the founders?
- If one founder leaves, does the company or the other founder have the right to buy back that founder’s shares? At what price?
- How much time commitment to the business is expected for each founder?
- What salaries (if any) are the founders entitled to? How can that be changed in future?
- How are key decisions and day-to-day decisions of the business to be made. (majority vote, unanimous vote, certain decisions dedicated to individuals alone, etc.)
- Under what circumstances can a founder be removed as an employee of the business? (Usually this would be a board decision)
- What assets or cash into the business does each founder need to contribute or invest?
- How will a sale of the business be decided?

- What happens if one founder isn't living up to expectations under the founder agreement? How will it be resolved?
- What happens if one founder passes away?
- What is the overall goal and vision for the business?

# Legal Processes and Advice

## Meeting your Legal Requirements to Open Your Business

Filing Documents with the Office of the Minnesota Secretary of State: Different business entities require different types of filing. The most common documents can be found below:

### ● Time Required for Filing and Processing Documents

Documents are usually reviewed the day they are received by the Secretary of State. In case of complex documents or heavy seasonal workloads, review may take place the day following receipt. Non-expected drop-offs are reviewed the business day following drop off.

### ● Reserve or File a trade name

Unless you are using your personal name as part of your business name, a sole proprietorship or a partnership usually has to file a fictitious name filing with the local county recorder. Most counties allow you to walk in, verify the name is not taken by another business and then file the paperwork all in the same day. If the business is a corporation or an LLC, the paperwork must be filed with the Secretary of State. This process usually takes several weeks to complete. Once you settle on a name you like, you need to protect it. There are four different ways to register your business name. Each way serves a different purpose, and some may be legally required depending on your business structure and location.



- ☐ Entity name protects you at state level
- ☐ Trademark protects you at a federal level
- ☐ Doing Business AS (DBA) doesn't give legal protection, but might be legally required
- ☐ Domain name protects your business website address

- **Register Your Business with the State of Minnesota**

Almost all businesses in Minnesota must register with the office of the Minnesota Secretary of State. Once you know the structure of your business i.e. LLC, Corporation etc., you can contact the Secretary of State's office.

You can register your business easily using the online step by step guide.

[www.sos.state.mn.us/business-liens/start-a-business/how-to-register-your-business](http://www.sos.state.mn.us/business-liens/start-a-business/how-to-register-your-business)

A current fee schedule is available at the back of this book[7]. Information regarding payment methods is available on the Secretary of State's website at

<http://www.sos.state.mn.us>. (SOS Office, 2019)

***“Forget past mistakes. Forget failures. Forget everything except what you’re going to do now and do it.”***

***- William Durant***

- **How to Obtain Your EIN#**

An EIN or Federal Tax ID number is a nine-digit number assigned by the IRS. It's used to identify tax accounts of employers and certain others who have no employees. The IRS uses the number to identify taxpayers who are required to file various business tax returns.

Your business needs a federal tax ID to do the following:

- Pay Employees
- Operate as a Corporation or Partnership
- File tax returns for employment, excise, or alcohol, tobacco and firearms
- With taxes on income, other than wages, paid to a non-resident alien
- Use a Keogh Plan (a tax-deferred pension plan)

You can start the process of obtaining your EIN number at [www.irs.gov](http://www.irs.gov)

The IRS EIN Application Assistant can be found at

<https://sa.www4.irs.gov/modiein/individual/index.jsp>

## ● **Getting Your State Tax Identification Number**

Your business needs to obtain a Minnesota tax identification number (a seven digit number assigned by the Department of Revenue) if it is required to file information returns for income tax purposes, has employees, makes taxable sales, or owes use tax on its purchases. Most businesses need a Minnesota tax identification number. However, a sole proprietorship or single member limited liability company which does not have any of these tax obligations does not need a Minnesota tax identification number. You may apply for a Minnesota Tax ID number with the Minnesota Department of Revenue online at [www.mndor.state.mn.us/tp/webreg/\\_/](http://www.mndor.state.mn.us/tp/webreg/_/) or by phone at (651) 282-5225

## ● **Obtaining your Sellers Permit**

A seller's permit is a state license that allows you to sell items at the wholesale or retail level and to issue resale certificates to suppliers. Issuing a resale certificate allows you to buy items you will sell in your business operations without paying amounts for tax to your suppliers. These permits are usually free of charge.

## ● Apply for Licenses and Permits

- **FEDERAL:** You'll need to get a federal license or permit if your business activities are regulated by a federal agency. The following business activities require federal licenses and permits.

Business Activity	Description
Agriculture	If you import or transport animals, animal products, biologics, biotechnology or plants across the state line.
Alcoholic Beverages	If you manufacture, wholesale, import, or sell alcoholic beverages at a retail location.
Fish & Wildlife	If your business engages in any wildlife related activity, including the import or export of wildlife and derivative products.
Commercial Fisheries	If your business engages in commercial fishing of any kind.
Mining & Drilling	If your business is involved in drilling for natural gas, oil, or other mineral resources on federal land.
Transportation & Logistics	If your business operates an oversize or overweight vehicle. Permits for oversize and overweight vehicles are issued by your state government, but the U.S. Department of Transportation can direct you to the correct state office.



- **STATE:** States tend to regulate a borders range of activities that are commonly regulated locally include: auctions, construction, farming, restaurants/bars, retail and vending machines.

Some licenses and permits expire after a set period of time. Keep close track of when you need to renew them – it's often easier to renew than it is to apply for a new one.

- **Worker's Compensation:** the Worker's Compensation Division of the Minnesota Department of Labor and Industry oversees and administers the workers' compensation system in Minnesota. Information on this Davison and Worker's Compensation, visit: <http://www.dli.mn.gov/business/workers-compensation-businesses>.

### Intellectual Property Protection (All Business, 2019)

If you have developed a unique product, technology or service, you should consider the appropriate steps to protect the intellectual property you have developed.

- **Patents** – Patents are the best protection you can get for a new product. A patent gives its investor the right to prevent others from making, using or selling the patented subject matter described in the client's claim. The key issues in determining whether you can get a patent are:



- Only the Concrete embodiment of an idea, formula, and so on is patentable
- The invention must be new of novel
- The invention must not have been patented or described in a printed publication previously
- The invention must have some useful purpose

You obtain a patent from the U.S. Patent and Trademark Office; this process can take several years and be complicated. For a step by step process on patents, visit <http://www.dli.mn.gov/> for more details.

- **Copyrights** – Copyrights cover original works of authorship, such as art, advertising copy, books, articles, music, movies, software, etc. A copyright gives the owner the exclusive right to make copies of the work and prepare derivative works (such as

sequels or revisions) based on the work. (All Business, 2019)

- Confidentiality Agreements – These are also referred to as Non-Disclosure Agreements or NDA's. The purpose of the agreement is to allow the holder of confidential information (such as a product or business idea) to share it with a third party. But then the third party is obligated to keep the information confidential and it uses it whatsoever, unless allowed by the holder of the information.
- Confidentiality & Assignment Agreement for Employees – Every employee should be required to sign such an agreement. It accomplishes several purposes. First, it obligates the employee to keep confidential the proprietary information of the business, both during and after employment. Second, it ensures any inventions, ideas, products, or services developed by the employee during the term of employment and related to the business belong to the company and not the employee. This will also be discussed in the 'Employee Management' section of this toolkit.

***“Far and away the best prize that life offers is the chance to work hard at work worth doing.”***

***- Theodore Roosevelt***

- Minnesota Cottage Foods Law: As of July 1, 2015, you can make cottage foods in your home kitchen (baked foods, pickled, canned, jams, jellies, etc.) without a license BUT you must first take a MDA-approved food safety training and register with the MDA. Guidance on the Minnesota Cottage Foods Law, Registration and Training can be found on the Minnesota Department of Agriculture website.  
<https://www.mda.state.mn.us/food-feed/cottage-food-law-guidance>

# Startup Financing

## **“Where do I get the Money to start a business”?**

The money to start your business comes from these three areas:

1. Money You Have Saved
  - a. From Friends and/or Family
  - b. Personal Investment/Savings
2. Money Borrowed Through a Business Loan
  - a. Bank or other lender, such as the Minnesota Department of Agriculture (MDA)
  - b. Local EDA
  - c. County EDA
3. Money You Borrow Personally
  - a. Home Equity Line of Credit/Personal Loan
  - b. Credit Card



Most often, someone who is preparing to start a business will not have enough savings to get started and will need to find some source of outside funding. For most small businesses, the search for funding leads to a Business Loan.

Even in today's internet world, it is best for a small business owner to deal face-to-face with their lender. Cultivate a relationship with your local bank. Meet with your bank officer about your business. While your credit score provides a quantifiable (and very impersonal) way for a lender to gauge how likely the small business owner is to repay his or business loan, the factor that may turn a “maybe” decision into a “yes” may very well be the entrepreneurial spark that the lender sees in the loan applicant. The only thing a potential lender knows about your business is the story that you tell.

### Loan sources OTHER than banks include:

- Credit Union
- Micro-lenders
- Community-based lending programs
- Local Programs (City/County/State)

**Microloans:** A microloan is typically offered to businesses with smaller start-up capital needs. Usually less than \$50,000. Advantages of microloans include:

- More flexible credit requirements
- Pay more attention to the character of business owners
- Work more closely with borrowers
- May provide technical help and advice to borrowers
- These borrowers understand the conditions in the local community and how that may affect businesses operating there.
- One example, the Small Business Association, offers a microloan program.

<http://www.sba.gov/content/microloan-program>

### What Matters Most to Lenders?

A business owner who knows the business, has the ability to run it well, and is willing to work hard to make it succeed.

- A business that is financially sound or, if it is brand new, appears to have the ability to make enough money to pay its bills, give its owner an income and pay back the loan.
- Collateral
- An investment from the Business Owner

**Full Disclosure:** Address any situations in your business that may appear on your credit report BEFORE the lender brings it up.

***“Play by the rules, but be ferocious.”***

***– Phil Knight***

## Lenders Look for the 5 C's of Credit

### 1. Character

Your personal reputation & General impression you make on your lender.

How you pay your bills (they will get this from the credit bureau).

The time you have spent working in your field and knowledge of industry.

### 2. Capital/Contribution

- What the business owns (assets) minus what it owes (liabilities)
- Includes Money you have invested into the business
- Shows you commitment to the business and what you have at risk if the business fails.
- A traditional lender expects you to have contributed something to the business (equity injection).

### 3. Capacity/Cash Flow

Whether your business makes enough money to pay all its bills including the new loan, AND the amount of money that you make, or expect to make should be sufficient to pay all the expenses and allow a little extra in case something unexpected comes up.



Existing Businesses: Lender will look at how much money you have made in the past (historic cash flow) as shown in your business financial statements and tax returns. Requests are usually for the past two years plus current year to date.

New Business: Lender will rely on your business plan and your estimates (projections) of how much money you will make (revenues) and how much money you will need to spend.

#### 4. Collateral (Guarantees)

- a. Lien: a lien on collateral property gives a legal right to the lender to sell the property if a borrower doesn't make its loan payments. Generally, lenders will require a 1st lien position on any assets that are purchased with the loan proceeds. This means that more than one lender may have a lien on the same property. But the order of liens decides who has the first right to any money made with the collateral is sold and a lender that is not in the first lien position will only get paid after the first lien lender is paid back in full.
- b. Personal Guarantees: Demonstrates the owner's commitment to the success of the business and are almost always required by all lenders, including micro lenders. A personal guarantee is a business owner's legally binding agreement to repay the loan in full even if the business fails.

#### 5. Condition – Loan Conditions that a lender considers when approving your loan.

- a. Loan Amount
- b. Interest Rate
- c. What will you use the loan for? (real estate/buildings/equipment/etc.)
- d. How well people are doing in your community, and your business' industry is doing.

If you wish to view how you will look to a lender, order a copy of your credit history and FICO® score. The largest credit reporting agencies are: Equifax, TransUnion and Experian. All are required to provide a free report every year. [www.annualcreditreport.com](http://www.annualcreditreport.com)

**You're ready to ask for a loan, Don't forget.....**

- Being well-prepared – Have a thought out and written plan for the steps that you will take to get started or get through your next growth phase.
- Telling your story well. Help your lender get excited about your dream and believe that you will succeed.
- Be honest. Lenders don't want to just hear the good things; they want to know about any weaknesses too.
- A business owner who fully understands every aspect of his or her business and has a well thought out business plan will make the best impression on a potential lender.

- When you are building your financial plans, remember to include your initial and recurring costs for running your business.

**“If you really look closely, most overnight successes took a long time.”**

**- Steve Jobs**

#### **Start-up/Initial Costs May Include**

- Rent/Lease Deposit/Mortgage down payment
- Improvements/Remodeling
- Web/Brand Design
- Legal/Professional Fees
- Licenses/Permits/Insurance
- Starting Inventory/Supplies
- Furniture/Equipment
- Recurring Costs May Include:
  - Telephone/Utilities/Internet
  - Rent/Lease/Mortgage Payments
  - Loan Payments
  - Advertising/Marketing
  - Salaries/Payroll/Taxes
  - Software & Software Subscription Services
  - Bookkeeping

**Income Forecasting:** One of the most important steps in the construction of a written plan for your proposed business is the development of meaningful financial projections. To be of maximum value in the planning process, your projections should accurately reflect the potential of your business and must not be influenced by wishful thinking.

## **Area Organizations That Offer Financial Assistance**

### **1. USDA Farm Service Agency**

Farm Service Agency is equitably servicing all farmers, ranchers and agricultural partners through the delivery of effective, efficient agricultural programs for all Americans.

Each county in Minnesota has a USDA Farm Service Agency office, which is a popular starting point for those seeking funding for farmers and ranchers seeking financing. These Service Centers are designed to be a single location where customers can access the services provided by the Farm Service Agency, Natural Resources Conservation Service, and the Rural Development Agencies. To locate your county office and learn more, visit: [fsa.usda.gov//state-offices/Minnesota/index](https://fsa.usda.gov//state-offices/Minnesota/index)

### **2. Minnesota Department of Agriculture**

The Agricultural Growth, Research and Innovation (AGRI) Program supports the advancement of Minnesota's agricultural and renewable energy industries. Agri has made significant economic impacts by supporting jobs, increasing productivity, improving efficiency, and assisting the development of agricultural products.

<https://www.mda.state.mn.us/>

The MDA Currently Offers the following AGRI Programs

- a. Bioenergy/Biochemical Pilot Plant Grant
- b. Biofuel Blending Infrastructure Grants
- c. Bio-incentive Program
- d. County Fair Grants
- e. Dairy Farm Improvement Grant
- f. Crop research Grant
- g. Beginning Farmer Farm Business Management Scholarships
- h. Farm to Early Care and Education Grants
- i. Farm to School Grants
- j. Farm to School Rapid Response Grant for Food Vendors
- k. Good Agriculture/Handling Practices Certification Cost Share
- l. Livestock Investment Grants
- m. Livestock Processing Rapid Response Mini-Grant



- n. Milk Cooler Grant
- o. New Markets Cost Share Program
- p. Value-Added Grants
- q. Safe at the Farmer's Market Cost Share

### 3. Minnesota Initiative Foundations

Six regional foundations working to strengthen the communities and economies of Greater Minnesota. Established by The McKnight Foundation in 1986, each foundation is independent and serves its geographic regions with grants, loans, programs and priorities, and Donor Services as well as collaborates on several statewide initiatives. The Minnesota Initiative Foundations are nationally recognized unique resources to the people, businesses and communities of rural Minnesota.

#### a. Northwest Minnesota Initiative Foundation

[nwmf.org](http://nwmf.org)

218-759-2057

[info@nwmf.org](mailto:info@nwmf.org)

The Northwest Minnesota Foundation invests resources, facilitates collaboration, and promotes philanthropy to make the region a better place to live and work.

#### Programs

- i. Communities Thrive Grant
- ii. Child Care Grant Program
- iii. Warroad Forgivable Loan Program
- iv. Child Care Community Projects Grant Program

#### b. Northland Foundation

[northlandfdn.org](http://northlandfdn.org)

218-723-40410

[info@northlandfdn.org](mailto:info@northlandfdn.org)

The Northland Foundation is a publicly supported foundation servicing several northeastern Minnesota counties. Through grant making, an operating program, business lending and special initiatives to help people and

communities to move forward together.

### **Programs**

- i. Grant making: Directing resources to nonprofit and community organizations within two main priorities of Children/Youth/Families and Individual & Community Wellbeing.
- ii. KIDS Plus Program: Empowering the wellbeing of children and youth from birth to adulthood through diverse community-centered initiatives.
- iii. Business Loans: offering flexible lending to help small and medium-sized businesses start up and grow.

#### **c. West Central Initiative**

[wcif.org](http://wcif.org)

218-739-2239

[info@wcif.org](mailto:info@wcif.org)

West Central Initiative shares its resources to serve to improve west central Minnesota through:

- i. Grants: work through partnerships to provide resources to help families and communities in west central Minnesota thrive. The main focus is on Community Development.
- ii. Loans: Provide gap loans for business start-ups and expansions.
- iii. Programs for business and community development

#### **d. Initiative Foundation (if)**

[ifound.org](http://ifound.org)

320-632-9255

[info@ifound.org](mailto:info@ifound.org)

The mission of the Initiative Foundation is to empower people throughout Central Minnesota to build a thriving economy, vibrant communities and a lasting culture of generosity.

### **Funding Assistance from IF**

- i. Gap lending for new and expanding businesses and social enterprise ventures

- ii. Grants for community & economic development
- iii. Initiative Foundation Grants

**e. Southwest Initiative Foundation**

[swifoundation.org](http://swifoundation.org)

320-587-4848

[info@swifoundation.org](mailto:info@swifoundation.org)

Southwest Initiative Foundation was created to keep communities strong and vibrant through financial and technical support.

**f. Funding Assistance from SWIF**

- i. Grow Our Own Grant
- ii. Business Finance Program
- iii. Microenterprise Loan Program

**g. Southern Minnesota Initiative Foundation (SMIF)**

[smifoundation.org](http://smifoundation.org)

507-455-3215

[inquiry@smifoundation.org](mailto:inquiry@smifoundation.org)

Southern Minnesota Initiative Foundation is a regional development and philanthropic organization that fosters economic and community vitality in 20 counties of southern Minnesota through a culture of collaboration and partnership. SMIF envisions a prosperous and growing region with vibrant communities, innovative & successful economies and engaged & valued citizens.

**Funding Assistance from SMIF Business Loan Fund**

- i. Seed Fund
- ii. Grow a Farmer Fund
- iii. Building Blocks Loan Fund
- iv. Small Enterprise Loan Fund
- v. Local Foods Loan Fund
- vi. Economic Development Grants

#### 4. Small Business Association (SBA)

Provides critical support and resources to help small businesses grow and create jobs. The SBA is one of the best sources for free business information. SBA's core operations are focused around the "Three C's":

SBA Website: [sba.gov](http://sba.gov)

- a. Capital: SBA guarantees support loans to small businesses that have challenges obtaining credit
- b. Contracting: SBA is charged with helping the federal government meet goals of contracting to small businesses.
- c. Counseling: SBAs entrepreneurial development programs provide counseling and training to entrepreneurs.

There are several different learning topics on the SBA website:

- i. Starting and Managing – written articles about specific topic
- ii. Learning Center – half hour videos about specific topics related to small business

***“Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful.”***

***-Albert Schweitzer***

# Preparing for Business Expansion

## *CONGRATULATIONS!!*

Your small business has been a success and you are ready to start planning for expansion! This can mean new product lines, new territories, additional staff and equipment purchases. A well-crafted business expansion plan can assist you with this process. The plan also serves as an important tool to convince lenders and financiers of the viability of your expansion.

When creating an Expansion Business Plan, it is best to follow the template of a more detailed Traditional Business Plan<sup>4</sup>. The difference is, that you will be modifying your current business plan to include your new goals and how your expansion will occur. Please note that it is important to revisit your business plan every few years to ensure you are on track for your sales, projected growth and future plans.

## 10 Key Components in a Business Expansion Plan

- 1. Executive Summary:** The executive summary is a concise statement that provides a high-level rundown of your business, your expansion and how you minted to achieve that vision. It should highlight crucial areas like:
  - a. Growth Targets
  - b. Projected and current operating costs
  - c. Funding needs
  - d. Marketing approach

Provide as much detail as necessary for someone who reads only your summary to get the gist of your overall expansion strategy. This section is typically completed last.

- 2. Company Description:** How does your company stand out from your competitors? Can you clearly communicate your offerings in a way that will resonate with potential customers? Who are your target clients and industries? Here is where you outline how your expansion will put you at the forefront of the market.

<sup>4</sup> Sample Traditional Business Plan (Appendix A, page 71)

- 3. Product and Service Description:** Continuing from the company description, outline your products and services in detail. What changes or additions are occurring with your products or operations? Describe how and why they are important and how they benefit your consumer base. This can include products that you grow and/or make, participation in local farmer's markets, if you allow hunting during the off season, etc.
- 4. Daily Operations:** Walk through your day-to-day operations. How have they worked? How can they improve as you expand?
- 5. Plan of Expansion:** Now that you have laid the groundwork, this is where you detail your expansion proposal. Describe your goal and what you need to achieve your vision. Think in terms of planning, executing and maturing your expansion. Identify what or where you intend to expand.

Make sure to cover:

- a. How you intend to support your expansion
  - b. Whether you'll need additional staff, capital or resources for your plan
  - c. Details about your new product or service, if applicable
  - d. Goals and key performance indicators
  - e. New regulations or legislation, if applicable
- 6. Marketing Analysis:** Outline your market position and how or why companies in your field are growing. Include details such as facts about industry, the size of your market, and technology associated with business expansion.
  - 7. Marketing Strategy:** What strategies will help you to sprint to success? Detail advertising, technology, new product innovations, customer experience and touchpoint strategies, collaborations, and technology associated with your business expansion.
  - 8. Organization and Management:** Identify any key players and stakeholders responsible for overseeing the expansion. A well-organized workplace structure can boost morale, efficiency and benefits for employees and management alike.
    - a. What roles are involved in your daily operations?

- b. What are the skills needed for each role?
  - c. Describe tasks and responsibilities for these roles.
  - d. Describe the organizational structure of your business.
- 9. Financial History:** Identify the successful operations that have led you to the need for expansion. Detail how these operations have transformed your business, as well as how budget cuts or increases have affected the return on your investment.
- 10. Financial Plan and Projections** Your financial plan should outline:
- a. 12-month profit and loss projection
  - b. Three-to-five-year outline on how to retain productivity
  - c. Cash flow projections
  - d. Estimated balance sheet of expenditures
  - e. Cost analysis
- 11. Appendix:** This optional section includes information to help build your case for expansion. This includes:
- a. Resumes
  - b. Permits
  - c. Leases
  - d. Contracts
  - e. Brochures
  - f. Letters of Support
  - g. Blueprints
  - h. Cited Industry Studies

Expansion Financing: Once you have determined exactly where you are going it is time to look at how much your expansion will cost. See the section on Startup Financing for resources with the ability to assist financially with business expansion.

## Budgeting

### Prepare Yourself Financially

Cash flow may be tight during the early stages of your business. The following items can help to figure out how to manage your finances during the tough beginning months.

1. Limit New Debt or Monthly Payments
2. SAVE Money
3. Get Your Personal Finances in Order
4. Live on Less
5. Track all Personal and Business Expenses
6. Budget month by month
7. Take into Account Your Personal Budget and Calculate How Much You Need to Survive at Least the First Six months of business.

Preparing well is essential as most businesses that fail, do so because they do not have enough cash on hand during the early months before businesses turn a profit. Please see the Appendix for the following sample worksheets:

- Sample Balance Sheet<sup>5</sup>
- Sample Bank Reconciliation Worksheet<sup>6</sup>
- Sample Cash Flow Statement<sup>7</sup>
- Sample Cash Flow Worksheet<sup>8</sup>
- Sample Comparative Balance Sheet<sup>9</sup>
- Sample Comparative Income Statement<sup>10</sup>
- Sample Income Statement<sup>11</sup>



<sup>5</sup> Sample Balance Sheet (Appendix D, Page 82)

<sup>6</sup> Sample Bank Reconciliation Worksheet (Appendix E, Page 83)

<sup>7</sup> Sample Statement of Cash Flows (Appendix F, Page 84)

<sup>8</sup> Sample Cash Flow Worksheet (Appendix G, Page 85)

<sup>9</sup> Sample Comparative Balance Sheet (Appendix H, Page 87)

<sup>10</sup> Sample Comparative Income Statement Worksheet (Appendix I, Page 88)

<sup>11</sup> Sample Income Statement (Appendix J, Page 89)



**Don't forget to pay yourself, even if just \$50 a month to save**

### **Determining your Minimum Requirement for Annual Sales**

In this example, your personal and business expenses add up to \$23,000

To determine the required annual sales, you will need to solve for X = Minimum Required Annual Sales.

For our example, we will assume the industry sources show that, for the type of business under consideration, the average profit, including the owner's draw or salary, is 11 percent of sales.

$$.11x = \$23,000$$

$$X = \$214,500$$

We have now determined that, if our proposed business is assumed to be average, we will need to sell \$214,500 of the businesses products or services to cover both personal and business expenses.

### **Don't Forget About Taxes**

When starting a business, there are some key tax issues to consider. Here are some of the most common issues: (All Business, 2019)

- **Sales Tax.** The company needs to collect sales tax of its products, because failure to do so can have legal consequences. The issue is compounded if your business is distributing in multiple states.
- **Payroll Tax.** Many cities and counties impose a payroll tax.
- **Tax Incentives.** Depending on the nature of the business, various tax incentives may be available, such as renewable energy tax credits and investment tax credits.

**Small Business Development Center (SBDC)** (SBDC, 2019): provide free one on one business consulting. Additionally, they provide training workshops on business topics, often free of charge. The staff at an SBDC serve as advisors to provide aspiring and current small business owners a variety of free business consulting and low-cost training services including: business plan development, manufacturing assistance, financial packaging and lending assistance, exporting and importing support, disaster recovery assistance, procurement and contracting aid, market research help, program support and healthcare guidance.

**Small Business Association (SBA)** (Small Business Administration, 2019): Provides critical support and resources to help small businesses grow and create jobs. SBA's core operations are focused around the "Three C's":

1. Capital: SBA guarantees support loans to small businesses that have challenges obtaining credit
2. Contracting: SBA is charged with helping the federal government meet goals of contracting to small businesses
3. Counseling: SBAs entrepreneurial development programs provide counseling and training to entrepreneurs.

# Marketing

The way you market your business can shape everything from the way your brand is perceived, to the customers you reach you and ultimately, how well you do.

Noticeably, marketing can get pretty pricey. You only have to turn on the TV to see the lengths that companies go to in order to promote their brands – and when you’re running a startup, excessive spending isn’t generally a good thing. You don’t need to spend your entire budget on marketing your business. If you can put in the time, you’ll be able to market your startup on any budget. More Time = Less Money. Some ways you may be able to market your business on a tight budget include: (SBDC, 2019)

- Customers: Already have a loyal customer base? Ask customers (politely) if they’ll write a testimonial for your website, or have a section in your shop or on your website for case studies: describe how you helped your customer or client, and how pleased they were with the result.

You could try offering your most loyal customers new products to test and review: everyone loves a freebie! Never forget your local clients.

- Word of Mouth: Virtually nothing is more powerful than the recommendation of a trusted friend, so use this channel to your advantage. If you can always make sure that your customers are delighted with your service or product, you’ll have happy loyal customers, who’ll love talking about you. If something does go wrong, act quickly, openly and honestly, and consider going beyond the call of duty to fix and make up for any mistakes or complaints.



- Sort out your Website: If you have a website, make sure you rank well when people search for what you do on search engines, like Google, by optimizing your site for search engines. It can get pretty expensive having an agency to do it for you, but you can utilize online tutorials and guides so that you can gain a basic understanding for yourself. Many communities also offer training for websites for a minimal fee.

## Recommendations for Your Website

- If possible, get a “.com” domain name (as opposed to “.net” or another variant)
  - Start by sketching a template for your site
  - Have high-quality content
  - Make sure you have a ‘Terms of Use Agreement’ and ‘privacy policy’. You can find templates for these documents online.
  - Make the navigation bars prominent
  - Keep it clean and simple; clutter will drive visitors away
  - Make sure the site loads quickly
  - Be sure the site is ‘search engine optimized (and thus more likely to show up earlier in search results).
  - Have a place to collect email addresses so you can start a mailing list
- 
- Relationships with Influencers: “Influencers” could cover everyone from journalists at your local paper to the editor of the biggest blog in your industry. If you can target your attention on a couple of ‘big names’, you’ll probably find it pays off more so than chasing thousands of individuals. Think of it as a waterfall: if an influencer knows about your business, they’ll tell their network and awareness of the brand will begin to trickle down to all of their followers, making the word much easier than going after them all individually.
  - Social Media: Get active on social media. Post nice photos, interesting articles, things that inspire and entertain you, and of course you could try the odd discount code or offer! Try to pick sites and networks that are right for you and your business and focus on them. Aim for where your communities ‘hang out’ and are most active. Currently, the most popular social media sites include:
    - Instagram
    - Facebook
    - Pinterest
    - Twitter
    - You Tube

- **Go Local:** If there is a local project in which you can be involved, it's a great way to raise local awareness of your business, as well as giving back to the community. You could sponsor a sports team, donate equipment to school clubs, help fundraise with local charities.
- **Discounts & Loyalty Cards:** Something as simple as a loyalty card could work wonders for your business. Everyone loves something free, and it's a great incentive to keep people coming back over and over. Using a card to collect stamps, or a punch card is popular in restaurants and retail businesses. Online discounts are also fairly easy to create. Post it on your social media sites or in your email newsletter, if you have one. Even a small discount could be enough to tempt a buyer into spending now, or encourage new customers to try out your service or product.
- **Email Newsletters:** Try sending out newsletters. You will be able to keep existing customers involved and interested in your business, as well as maybe even attracting new ones. That is if you have interesting content to share. Try putting a subscribe box on your website to give visitors an option to follow you. If you have genuinely good content, and attractive discounts or offers, you might end up attracting people who aren't just your customers. An important rule to note: Do not go overboard. No one likes getting spammed with tons of emails.
- **Press Releases:** You don't have to be a PR genius to write a great press release. Every time you release something new, change something of note, or do something great, try putting together a press release and sending it to relevant websites, magazines, and newspapers as well as your local press. Include information that you want to spread about your business. If possible, work on building your relationship with a journalist. Press releases are an excellent way to secure free press. All newsworthy events concerning your business should be written up in a press release. A sample press release can be found in the appendix of this toolkit.<sup>12</sup>

**PLEASE NOTE: Send press releases in a word document, never submit as a PDF**

<sup>12</sup> Sample Press Release (Appendix K, Page 90)

- Business Cards: It would be a mistake not to mention business cards. A distinctive business card can really set you and your business apart when meeting potential customers, especially if you can showcase as much of your work as possible. They are a cost effective way of making sure you leave a piece of you and your business behind with everyone you meet.

*“Success usually comes to those who are too busy to be looking for it.”*

*- Henry David Thoreau*

## **Market Research**

Before selling a product or service, it is important to know the market that you will be entering into. Market research blends consumer and economic trends to confirm and improve your business idea. It is crucial to understand your consumer base from the outset. Market research lets you reduce risks even while your business is still in its planning stages.

Surveys, questionnaires and focus groups are three among the many ways to obtain original data on potential customers. You can also get basic information when a customer calls for your services, visits your facility or browses your website. When customers make a purchase, or any other inquiry, you can find out where they heard about your business.

What to research:

- Demand: Is there a desire for your product or service?
- Market Size: How many people would be interested in your offering?
- Economic Indicators: What is the income range and employment rate?
- Location: Where do your customers live and where can your business reach?
- Market Saturation: How many similar options are already available to consumers?
- Pricing: What do potential customers pay for these alternatives?

Gather demographic information to better understand opportunities and limitations for gaining customers. This could include population data on age, wealth, family, interests, or anything else that's relevant for your business. This type of information is easily accessible

at census.gov. For direct research, there are additional methods that can be utilized. This includes surveys, questionnaires, focus groups and in-depth interviews.

### **Create an Identity**

Whether you've just launched your company or you've been around for years, your brand identity is one of your most vital assets. Having a strong brand can make the difference between a successful business and one that falls prey to the growing competition.

#### **So what is brand identity?**

A lot of new marketers and business owners are surprised to realize it's more than just your logo and your font selection. It's how your customers recognize your company and makes you stand out. 72% of marketers argue that branded content is more effective than advertising in print. (Blasberg, 2018)

Brand Identity includes:

- Logos and color selection
- Email marketing messaging
- Blog post content
- Social media posts
- Interactions with customers online
- Customer service
- Interaction with the community (sponsorships & donations)

Branding today means knowing who your ideal customer is. It combines messaging, values and versatile elements to target the exact demographic you're trying to reach. It's a promise to your customers that they can expect a certain level of service and quality when they choose your brand or product. You need to understand the importance of brand identity before you begin creating your own.

**"IN A NAME, WE CLAIM OWNERSHIP OF WHO WE ARE  
AND WHAT WE STAND FOR."**

- Jennie Allen

# Employee Management, Hiring A Reliable Workforce

## **How do you know if someone will be a good employee? What do you look for?**

Having the right employees is critical to the success of any business. Good employees can follow directions, are trustworthy, dedicated and do not need to be micromanaged. Across the spectrum, the wrong employees can not only slow down a business, but can cause you to lose money through wasted training time, improperly performed tasks and even stealing. More importantly, any negative actions reflect poorly on your business.

## **Labor Laws**

Before you start to hire your staff, be sure that you have covered your legal bases to do so. The United States Department of Labor administers and enforces nearly 200 federal laws covering workplace activities. The laws fall under various congressional acts and are enforced by various divisions of the DOL ([www.dol.gov](http://www.dol.gov)). These laws include:

- **Wages & Hours:** Under the Fair Labor Standards Act, administered by the Wage & Hours Division of the Employment Standards Administration (ESA)
- **Workplace Safety & Health:** Under the Occupational Safety & Health Act, administered by the Occupation and Safety Administration (OSHA)
- **Pension & Welfare Benefits:** Under the Employee Retirement Income Security Act, administered by the Employee Benefits Security Administration (EBSA)
- **Unions & Members:** Under the Labor-Management Reporting & Disclosure Act, administered by the Office of Labor-Management Standards (OLMS). The DOL enforces other laws pertaining to drug testing and, polygraph use, garnishing wages and family & medical leave. (Unknown, 2018)



## **What Kind of Workforce are you Looking for?**

Create an accurate job description: Even though there may only be a few of you, it is best to have everything down in print: outline what you expect from employees, what they can expect from you, and ensure that you have a brilliant company atmosphere. In a small



business, you may find yourself combining many roles into one, so be specific about what is needed. Your job description shouldn't just be a list of duties and requirements: make sure it portrays your company culture, and what people can expect from you. Remember, unless you sell your job well, you won't get the best people applying for it.

Determine what required skills or experience: There are certain skills, qualifications and training that may be a necessity for the job, but there will also be extras that aren't so important. Distinguish between what a candidate has to have, and what would make you a lot happier to see.

### Creating your application

Having a physical or online application will typically save you time during your hiring process. Some jobs, like many in the retail and service industries, don't require a resume, you can get all of the information that you need from an application.

Applications should provide spaces for basic information such as name, address, phone number, and social security number. While you cannot ask a person's age, you can ask if he or she is over the age of 18. You may also want to ask who referred them or where they found out about the position.

The following sections should include Education, Past Job/Salary History and leave some room for applicants to inform you of any special skills and/or experience they may have relating to the position.



Finally, you need to have a paragraph (review this with your attorney) proclaiming that all statements made by the individual are true and that this application does not signify that any hiring agreement has been entered into. Also, have the applicant answer whether or not it is okay to contact his or her current or previous employer. The Employment Application should then be signed by

the applicant and dated. (All Business, 2019)

Similarly, with the interview, you cannot ask a variety of personal questions on the application. Once you have selected someone to hire, you should start an employee file with that person's application and resume.

### Reviewing Resumes/Applications(Unknown, 2018)

Once you begin receiving applications, there are a few items to look for on submitted resumes:

- Length of employment at previous jobs
- Previous job titles
- Responsibilities at each position
- Special Skills
- Education Level

The review should make it relatively easy to see if an applicant is qualified enough to warrant an interview. A sample of a basic job application can be found in the appendix in the back of this workbook.<sup>13</sup> The more complex or more responsibilities a position has, the more information you will want to require to apply. This could include a resume, writing sample, typing speed, etc.

### Employment Interviews

Once you have determined which employees you would like to interview, you will want to prepare in advance what questions you plan to ask. There are several different philosophies when it comes to the interview process. Depending on the position being filled, some employers will look more closely at specific technical skills, while others will focus on how well the individual will fit in with the team.



Among the questions you will want to ask, include:

- What did you do at your last position?
- What did you like about your last position?
- Why did you leave your last position? Or why do you wish to leave?
- What accomplishments are you most proud of?

<sup>13</sup> Standard Application for Employment (Appendix L, Page 91)

- What are your strengths and weaknesses?

Look at other specific aspects of the position you are looking to fill. Will they work well with customers; are they familiar with computer or point of sale systems? Be sure to describe the job in detail. After explaining the tasks involved with the position, be sure to ask if they are comfortable performing these tasks.

Questions you may NOT ask include:

- How old are you?
- What is your religion?
- What ethnicity are you?
- What is your sexual preference?
- Are you married?
- Do you have children?
- Are you planning to start a family?
- Have you ever done drugs?
- Have you ever been arrested?



Additionally, you should not ask questions that relate to personal information and not pertinent to the position. You should never touch an applicant other than a handshake.

### Offer Letters

An Offer Letter puts into writing the terms of the job offer so that ambiguities do not arise later. This also makes it clear that either party can terminate employment when they so choose. In addition, changes made to the terms of employment later on can also be written into the agreement and signed by both parties. A sample letter can be found in the appendix at the back of this workbook.<sup>14</sup>

**“Imagination is everything. It is the preview of life’s coming attractions.”**

**- Albert Einstein**

<sup>14</sup> Sample Offer Letter (Appendix M, Page 93)

## Do's and Don'ts of Job Offers

DO:	DON'T:
State clearly the salary and how often payment is made	Promise raises, bonuses, vacations or perks that may not be forthcoming.
Give prospective employees time to think over the offer and respond. If there is a qualifying period before entitled to benefits, include how long that time period will be.	Make any guarantees that the employee will be employed for any length of time.
Include the date of hire and title of the position.	In short, don't promise anything that you cannot, or do not intend, to follow up to provide.
Make it clear that employment is "at will" and that the employee can be terminated at any time by the employer. <sup>15</sup>	

### Securing Your Secrets

To make sure employees and consultants keep any of your businesses' proprietary information confidential, the company should typically require them to sign a Confidentiality and Invention Assignment Agreement<sup>16</sup>. This form deals with the confidentiality issues, but also provides that the ideas, work product and inventions that the employee or consultant creates which are related to your business, belong to the business and not to the employee or consultant. (All Business, 2019)

<sup>15</sup> Sample Employment-At-Will Policy (Appendix N, Page 96)

<sup>16</sup> Sample Confidentiality Agreement (Appendix O, Page 97)

## Wages/Benefits as a Tool / How to Incentivize Employee

- **The Right Pay Rate:** Unless you already know, research average pay for similar jobs. Depending on how well you're doing, you might be looking to pay less than average, or more. Remember that this will be a deciding factor for many people, so if you're offering less, make sure it sounds like it will be worth it.
- **Define Company Benefits and Holiday Entitlement:** Company benefits at this point may just be free fruit and a sweatshirt, or a discount. No matter what it is, be sure to sell it as some of the great reasons to be working for you.
- **Outline your maternity/paternity policy:** Every company should have these policies in place. The Small Business Administration (SBA) and Small Business Development Center (SBDC) are all resources that can be used if you get stuck.
- **There are other ways to incentivize employees.** Depending on the general age group and/or personalities of your staff, you hold regular competitions for sales of a specific item, most sales, perform a specific task the most times, or raffle tickets for doing specific tasks. There are also non-work related competitions such as office decorating for holidays or regular rewards for going a month with no injuries.
- **Not only will your employees have a little something extra to be excited about for work each day, you will see them work a little bit harder to stay competitive.** A person who feels appreciated will always do more than is expected. Additionally, your business will gain a reputation for being a great place to work. Remember, people don't leave bad jobs, they leave bad bosses who don't appreciate their value.

## Managing People (It's Hard)

There are a number of situations and tasks that you need to be prepared for when managing staff of any number. Everything from hiring, firing, scheduling, training, etc. will need to be done, and you'll need to be the one to do it.

- **Scheduling**

There are many ways to go about scheduling your staff. You may only have full time employees, in which case you may be able to keep schedules fairly consistent. If you have multiple employees and/or multiple shift times, it may be a little more

complicated. There are many templates for creating Employee Shift Documents online, as well as a number of telephone apps that can assist you with creating your schedules and communicating those schedules to your staff.

### ● **Selecting Management**

If you find that you are overwhelmed with the tasks that lay before you, you may be interested in hiring a manager. This individual would have a number of additional tasks to complete, which would give you some additional time to run your business. When asking someone to take on additional duties, it would be anticipated that there would be a raise in pay equal to the increase in responsibilities.

For many small businesses, there are no employees for the first few years. All businesses have different staffing needs, and there is no hurry to add staff until you feel you are financially prepared to do so.

### ● **Addressing Conflict**

Conflict resolution is a daily occurrence at work that can either propel or disrupt the momentum for a leader, a team or an entire organization. The workplace can become a toxic environment when leaders allow conflict to fester rather than confront it head-on. (Llopis, 2014)

1. **Right Timing:** Timing is everything when it comes to managing conflict. The best time to take action is when there is hard evidence/proof that an employee has a track record of wrongdoing that is negatively impacting the performance of other staff or experience of clients. (Llopis, 2014) If everyone around you knows it must be dealt with and you are still waiting to act, you are losing the respect of your peers and those you lead.
2. **Know Your Boundaries:** Since everyone deals with conflict differently, you have to be observant of the boundaries of your employees. Identify behavioral tendencies that seem to trigger certain attitudes, provoke mindset shifts, or demonstrate a lack of self-awareness. Once you feel you have identified the issue, address it. Always confront conflict in private.
3. **Respect Differences:** Respect the unique differences in people and work to see things from their perspective so you can better understand how to avoid

the situation in the future. Conflict resolution is rarely black and white. In fact, there are more and more grey areas as the workplace becomes more generationally and culturally diverse than ever before.

4. **Confront the Tension:** Conflict can yield an emotional state of mind that makes it more difficult to manage it. As such, we must confront rather than allow it to fester because we failed to address the conflict when it first became apparent. Perception is not always reality and oftentimes we don't confront the most obvious situation before us because we let other points of view distort what we believe to be true. The most

effective leaders have the self-awareness and wisdom to confront and diffuse the tension (Llopis, 2014).

“Every problem is a gift – without problems we would not grow.”

- Anthony Robbins

● **Establishing Consequences for negative behavior** (Madlinger, 2019)

Ensure all staff are aware of your policy.

1. Don't do it when you are angry
2. Document the problem
3. Use company policies to back you up
4. Include any relevant witness statements
5. Set expectations for improvement and/or create an action plan
6. Deliver news in person
7. Require employee's signature on action plan and keep records
8. Follow up

● **Annual Performance Reviews, it's more important that you think**

Annual performance reviews are an important part of managing staff that often gets

overlooked. This type of consistent reviewing schedule helps your staff to hold themselves accountable for their activities when representing you and your brand. In addition, staff want to know how they are performing at their jobs. If they are doing well, tell them. If they have ideas, listen to them. You don't have to implement all of them, but it is of great benefit to you if your staff are happy and feel invested in the success of your business. Try to hold a review for each employee once a year.

One way that is used often is an appraisal form.<sup>17</sup> In this situation both you and your staff member would fill out an appraisal form for the employee in question. Once this has been done, you will schedule the employee for an in person review where you are able to discuss the appraisal forms. Do not focus only on areas that need improvement. Be sure to give praise where praise is due. Employees who feel they are appreciated and are doing well, will perform better and will stay with you longer.

#### ● Exit Interview

Whenever possible, try to get an exit interview<sup>18</sup> from any employee that leaves your employment. These interviews help you to be a better manager of your business and allows you to see some views of your business from another perspective. Use this information to better your business or to reinforce that some of your programs/benefits are paying off. A sample exit interview can be found at the back of this toolkit.

There are many other aspects of managing employees that will come up often throughout your time running your business. If you ever run across an issue or situation where you feel stuck, reach out to the city EDA, Small Business Development Center, Minnesota Department of Employment and Economic Development or a Small Business Administration, and there will be someone ready to help you through whatever it is you may need.

<sup>17</sup> Sample Employee Appraisal Form (Appendix P, Page 102)

<sup>18</sup> Sample Employee Exit Interview (Appendix Q, Page 105)



# Succession Planning

## **What Is It and Why Is It Important?**

So you think that you don't need a succession plan? You're young, you're healthy. But it is more than you think. And it is not necessarily just about you. If something suddenly happens to you, is your family okay? Who owns the business? What effect will this have on your community? Succession planning keeps your business moving forward during the inevitable changes that come with this scenario. We will attempt to give a general overview of succession planning.

There are two types of succession plans; exit planning and transition planning. We will explore both in this section.

According to the University of Minnesota Extension, around 80% of those who buy a business hear about the businesses availability because they were approached by the previous owner, they were an employee, from a real estate agent or a family member.

## **Transitional Succession Planning**

A Transitional Succession Plan is a training plan for the individuals who will be successors for your top tier employees. Succession planning is practiced by small businesses, hospitals and universities. Succession planning helps you to identify the staff that you will want to train to take over key positions when the time is right. It is a process that ensures your business is prepared for the future. That way, when a key employee leaves, you already have someone in mind to fill their position. (who, hopefully, has been groomed for this eventuality). Early Succession planning ensures that employees are recruited and developed to fill each key role in your business.

Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role in your business. As your business grows, succession planning guarantees that you have employees on hand ready and waiting to fill the new roles. If your business is significantly smaller, your planning may look a little different as you won't have many spots to fill and some individuals may be preparing remotely for taking a position or purchasing a business.

Businesses who ultimately have successful transitions, begin planning 1-3 years ahead of the time. Always have three or more years of profitability in financial records, get a business

valuation to target improvements of your business, create your leadership transition plan, and offer mentorship to the new owner. These are all ways to help you transition successfully.

## Steps to Secure Your Business Future

When you are ready to start, here is a business model to help guide you along. (Succession Planning, 2018) While this is not the only way to go about succession planning, this seven step model will serve as our guide to the process.



1. Identify Critical Roles: The first phase involves developing a solid understanding of the most significant challenges the business and its industry are likely to face over the next four to six years, and the skills and experiences the chief executive will need to lead the business past those hurdles. Looking at these challenges will help to establish measurable goals to guide the succession planning process

2. Construct Succession Profiles: Once you determine the critical roles, you will need to be specific on your job description and know what training, on or off the job, needs to be completed before the staff member can be selected. What changes do you think that your industry may face in the coming years? How would you want to have these things handled? Knowing what each position will entail, will make it easier to select a successor with the competencies that you are looking for.
3. Assess Staff: Succession planning is looking at filling a position with the best possible candidate, not basing it on personal opinions (Mikesell, 2018). You will need to assess your current workforce to identify key positions and key employees, recognizing that sometimes key employees are not in upper leadership, but in support positions. (Succession Planning, 2018) You need to carefully consider every

individual for both skill and emotional intelligence. Your highest-potential employees will be lifelong learners who are both self and socially aware. They'll also be great problem solvers, adaptable, reliable and able to take on additional responsibilities. You'll want to avoid promoting people who tend to get involved in the office drama, resist change and spread negativity.

4. Create Development Plans: There are many ways you can go about succession planning. The best succession plan is the one that fits your business. To determine what will work best for your business, consider these questions:
  - Do you want a complete succession plan that includes every position and employee in your organization? Or, do you want a succession plan that covers only upper management and other important leadership positions.
  - Will identifying and grooming successors be incorporated into your managers' performance reviews?
  - Does your company have particular vulnerabilities, such as a large percentage of retiring employees in a particular area of your business?
  - What is your ultimate goal? What outcome are you hoping for?Try creating an organization chart to assist you with developing your plans. This chart is more than just a 2-D snapshot of a company's hierarchy. When used as a workforce planning tool, it allows you to make staffing decisions that spur growth, including those involved with succession planning.

**“Luck is preparation meeting opportunity”**

**- Oprah Winfrey**

5. Develop Successors: Once you have identified key positions, you need to select employees to fill these roles. Talk to your employees about their career goals and where they see themselves in the future. Be prepared to find that some employees you consider to be high potential for advancement aren't interested. That's okay. You need solid performers at every level of the organization. Once selected, begin to mentor your candidates. Don't limit yourself to selecting only one person for a position. Leaving yourself options is a good idea since you cannot see the future. You will want to have a solid training or mentoring strategy for each position you are

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graph TD
    A[ ] --> B[ ]
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    B --> D[ ]
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    C --> F[ ]
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    E --> I[ ]
    F --> J[ ]
  
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    B --- D[Person Icon]
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    D --- I[Person Icon]
    E --- J[Person Icon]
    
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graph TD
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The largest solution for an Unexpected Succession, is early planning. 99% of Business Owners agree a plan is important. Yet 48% had NO planning at all, and 80-90% had NO WRITTEN business or personal transition plan. (Unexpected Transitions, 2018)

When it comes to a family owned business, talk to your family and make a plan for an unexpected event. This will identify who in your family will be looking to make the transition as the new business owner. This type of internal business transfer is a fairly straightforward and easy transfer, as long as the legal work was done in advance. You will want to ensure that your business plan will reflect this desire.

## Barriers to Succession

### Top Barriers

- Time
- Cost
- Confidentiality
- Lack of Awareness about value of planning

### Also

- Not interested/ready to pass it on
- Valuation is too low
- Value is overestimated
- Don't know where to start

Whether you are ready to retire or just preparing your business for a potential emergency, a succession plan is something that every business owner should have. Not only will it give you peace of mind, knowing that your family and business are safe and secure in the event that something happens to you, a succession plan will assist you in seamlessly passing on or selling your business when the time comes.

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# References

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**Agricultural Utilization Research Institute:** Helping agricultural producers bring their ideas to reality, delivering innovative products to market across the nation.  
<https://www.auri.org/>

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**Better Business Bureau of Minnesota**  
651-633-1111  
<https://www.bbb.org/local-bbb/bbb-of-minnesota-and-north-dakota>

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**Business Identity Theft:** Education, Prevention & Assistance. Victim Assistance can also be found online at: <http://www.businessidtheft.org/>

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**Farm Commons:** Works to cultivate communities where farmers and attorneys share knowledge, Moving the entire local food system forward.  
218-993-3317  
<https://farmcommons.org/>

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**Grow North:** works to create an interconnected, sophisticated, invested, and accessible ecosystem for Minnesota's entrepreneurs and innovators across food and agriculture.  
612-625-0027  
877-625-6468  
<https://carlsonschool.umn.edu/grownorth>

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**IRS: EIN Registration Assistant**  
1-800-829-1040  
<https://sa.www4.irs.gov/modiein/individual/index.jsp>

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**Land Stewardship Project:** Fostering an ethic of stewardship for farmland, promoting sustainable agriculture and developing healthy communities.

<https://landstewardshipproject.org/>

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**Lender Match:** Free online referral tool that connects small businesses with participating SBA-approved lenders.

<https://www.sba.gov/lendermatch>

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**Minnesota Council of Nonprofits:** works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

651-642-1904

1-800-289-1904

[info@minnesotanonprofits.org](mailto:info@minnesotanonprofits.org)

<https://www.minnesotanonprofits.org/>

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**Minnesota Department of Agriculture (MDA)**

651-201-6000

<http://www.mda.state.mn.us>

<http://www.mda.state.mn.us/funding> - MDA Loan and Grant Programs. The MDA provides many programs to assist farmers in improving and expanding their current operations. Programs are also available to offer low interest loans to farmers, rural landowners and agriculture supply businesses. These programs include:

- Agriculture Best Management Practices (BMP) Loan Program: 651-201-6618
- Aggie Bond Beginning Farmer Loan: 651-201-6556
- Agricultural Improvement Loan: 651-201-6666
- Beginning Farm Loan: 651-201-6666
- Bioenergy/Biochemical Pilot Plant Grant
- COVID-19 and Food and Agriculture: [mdaresponds@state.mn.us](mailto:mdaresponds@state.mn.us)
- Farm Opportunity Loan Program: 651-201-6666
- Livestock Equipment Loan Program: 651-201-6666
- Livestock Expansion Loan Program: 651-201-6666



- Methane Digester Loan Program: 651-201-6666
- Pilot Agricultural Microloan Program: 651-201-6666
- Restructure II Loan Program: 651-201-6666
- Seller Assisted Loan Participation Program: 651-201-6666
- Value Added Stock Loan Program: 651-201-6666
- AGRI Livestock Investment Grant: 651-201-6458
- AGRI Value-Added Grant Program: 651-201-6135
- Dairy Business Planting Grant: 651-201-6646
- Specialty Crop Block Grant Program: 651-201-6539

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**Minnesota Department of Employment and Economic Development (DEED)**

651-259-7114

800-657-3858

<http://mn.gov/deed/>

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**Minnesota Department of Labor and Industry**

651-284-5005

1-800-342-5354

<http://www.dli.mn.gov/>

Worker's Compensation: <http://www.dli.mn.gov/business/workers-compensation-businesses>

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**Minnesota Department of Revenue: Business Tax Registration**

[https://www.mndor.state.mn.us/tp/webreg/\\_/](https://www.mndor.state.mn.us/tp/webreg/_/)

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**Minnesota Emerging Entrepreneur Loan Program (ELP):** Supports growth of businesses owned and operated by minorities, low income persons, women, veterans and/or persons with disabilities.

651-259-7456

651-259-7450

<https://mn.gov/deed/business/financing-business/deed-programs/mn-elp>

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**Extension at the University of Minnesota:** Extension brings Minnesotans together to build a better future through University science-based knowledge, expertise and training. Extension's research and outreach is organized broadly into four centers: Agriculture, Food & Natural Resources; Community Vitality; Family Development; and Youth Development. Extension is located in every county in Minnesota. County contact lists can be found on the Extension website at <https://extension.umn.edu/>

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1802 18th St NE

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Worthington MN 56187-5184

Phone: (507) 372-3900

[rcworthington@umn.edu](mailto:rcworthington@umn.edu)

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**Minnesota Farmers' Market Association (MFMA):** MFMA provides services, programs and leadership that support and promote farmers' markets across Minnesota.

General Email Address: [info@mfma.org](mailto:info@mfma.org)

Address: 9800 155th Street East, Nerstrand, MN 55053

Communications Director: Kim Guenther // [kguenther@mfma.org](mailto:kguenther@mfma.org) // 573.470.4445

Director of Member Services: Jesse Davis // [jdavis@mfma.org](mailto:jdavis@mfma.org) // 218.259.9675

Executive Director: Kathy Zeman // [kzeman@mfma.org](mailto:kzeman@mfma.org) // 507.664.9446

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### **Minnesota Institute for Sustainable Agriculture (MISA), University of Minnesota:**

The Minnesota Institute for Sustainable Agriculture is a unique partnership between the University of Minnesota's College of Food, Agriculture, and Natural Resource Sciences, University of Minnesota Extension, and the Sustainers' Coalition, a group of individuals and community-based nonprofit organizations.

612-625-8235

[misamail@umn.edu](mailto:misamail@umn.edu)

<https://www.misa.umn.edu/>

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**Minnesota Investment Fund (MIF):** Provides financing to help add new workers and retain high-quality jobs. The program's focus is on industrial, manufacturing and technology-related industries.

651-259-7430

<https://mn.gov/deed/business/financing-business/deed-programs/mn-mif/>

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**Minnesota Job Creation Fund:** Provides financial incentives to new and expanding businesses that meet certain job creation and capital investment targets.

651-259-7483

<https://mn.gov/deed/business/financing-business/deed-programs/mn-jcf/>

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**Minnesota Grown:** The Minnesota Grown Program is a statewide partnership between the Minnesota Department of Agriculture and Minnesota producers of specialty crops and livestock.

651-201-6140

<https://minnesotagrown.com/>

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**Midwest Organic & Sustainable Education Service (MOSES):** MOSES is a nonprofit organization that educates, inspires, and empowers farmers to thrive in a sustainable, organic system of agriculture. Offers programs including but not limited to:

- Farmer-to-Farmer Mentoring Program
- Organic Stewards Program
- In Her Boots Project

715-778-5775

<https://mosesorganic.org/>

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**Renewing the Countryside:** strengthens rural areas by championing and supporting rural communities, farmers, artists, entrepreneurs, educators, activists and other people who are renewing the countryside through sustainable and innovative initiatives, businesses, and projects.

507-291-3663

[Info@rtcinfo.org](mailto:Info@rtcinfo.org) / <https://www.renewingthecountryside.org/>

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**Sustainable Agriculture Research & Education (SARE):** SARE offers farmer-driven, grassroots grants and education programs. Since 1988, SARE grantees have been putting principles of sustainable agriculture into practice on farms and ranches in every state and island protectorate.

SARE's competitive grant programs are available to producers, researchers, Extension professionals and others in the agricultural community.

The 12 state North Central SARE administers several grant programs, each with specific priorities, audiences and timelines. The focus for all of the grant programs is on research and education. Grant Programs include:

- Farmer Rancher Grant Program
- Research & Education
- Graduate Student Grant Program
- Professional Development Grant Program

- Youth Educator Grant Program
- Partnership Grant Program

### **NCR-SARE Main Office**

120 BAE, University of Minnesota

1390 Eckles Avenue

St. Paul, MN 55108

Phone: 612-626-3132

[ncrsare@umn.edu](mailto:ncrsare@umn.edu) / <https://www.sare.org/>

**SCORE:** Offers free business mentoring, low-cost or no-cost business training, and numerous templates and tools to help you start or grow a business.

507-200-0760

<https://seminnesota.score.org/>

**United States Economic Development Administration (USDA):** The U.S. Economic Development Administration's investment policy is designed to establish a foundation for sustainable job growth and the building of durable regional economies throughout the United States. This foundation builds upon two key economic drivers - innovation and regional collaboration. Innovation is key to global competitiveness, new and better jobs, a resilient economy, and the attainment of national economic goals. Regional collaboration is essential for economic recovery because regions are the centers of competition in the new global economy and those that work together to leverage resources and use their strengths to overcome weaknesses will fare better than those that do not. EDA encourages its partners around the country to develop initiatives that advance new ideas and creative approaches to address rapidly evolving economic conditions.

- Office of the Assistant Secretary  
202-482-5081
- Office of Innovation and Entrepreneurship  
202-482-8001
- Regional Office (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)  
312-353-8143
- <https://www.mda.state.mn.us/>
- Programs, Grants and Loan Opportunities



- Agriculture Innovation Center Program
- Agri Beginning Farmer Farm Business Management Scholarships
- Agri Dairy Farm Improvement Grant
- Agri Crop Research Grant
- Agri Bioincentive Program
- Agri Biofuel Blending Infrastructure Grant
- Business and Industry CARES ACT Program
- Business and Industry Loan Guarantees
- Intermediary Relending Program
- Rural Business Development Grants
- Rural Business Investment Program
- Rural Economic Development Loan & Grant Program
- Rural Microentrepreneur Assistance Program
- Socially-Disadvantaged Group Grants
- Higher Blends Infrastructure Incentive Program
- Value Added Producer Grants
- Delta Health Care Services Grants
- Rural Cooperative Development Grants
- Advanced Biofuel Payment Program
- Bio-refinery, Renewable Chemical, and Bio-based Product Manufacturing Assistance Program
- Rural Energy for America Program (REAP) Renewable Energy & Energy Efficiency Loans and Grants
- Strategic Economic and Community Development

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**United States Patent & Trademark Office**

571-272-1000

1-800-877-8339

<https://www.uspto.gov/patent/laws-and-regulations/interview-practice#last-anchor>

<https://www.facebook.com/uspto.gov>

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# Appendix

- A. TRADITIONAL BUSINESS PLAN EXAMPLE
- B. LEAN BUSINESS PLAN EXAMPLE
- C. STATE OF MINNESOTA FEE SCHEDULE FOR BUSINESS FILINGS
- D. SAMPLE BALANCE SHEET
- E. SAMPLE BANK RECONCILIATION WORKSHEET
- F. SAMPLE CASH FLOW STATEMENT
- G. SAMPLE CASH FLOW WORKSHEET
- H. SAMPLE COMPARATIVE BALANCE SHEET
- I. SAMPLE COMPARATIVE INCOME STATEMENT
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- K. SAMPLE PRESS RELEASE
- L. SAMPLE APPLICATION
- M. SAMPLE INTERVIEW QUESTIONS
- N. SAMPLE OFFER LETTER
- O. SAMPLE 'AT WILL' POLICY
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*This example business plan is provided by the Small Business Administration.  
Get help starting and running your small business at [SBA.gov](http://SBA.gov).*

# Wooden Grain Toy Company

## *Business Plan*

**Andrew Robertson, Owner**  
**Created on December 29, 2016**

## Executive Summary

### Product

Wooden Grain Toys manufactures high-quality toys for children aged 3-10. All toys are made from solid hardwoods including maple, beech, birch, cherry, and oak. The toys are built to be long lasting with sufficient moving parts to engage each child's interest, but not limit his or her imagination.

## Customers

The target audience for Wooden Grain Toys is adults, specifically parents and grandparents who wish to give their children or grandchildren the opportunity to play with a toy that is not only durable and aesthetically pleasing, but also foster the child's creativity.

## Future of the Company

Although the toy manufacturing business is highly competitive, we believe that there is a place for high-quality, attractive, durable, and affordable toys. Our goal is to build and market toys that will entertain children and stand the test of time.

# Company Description

## Mission Statement

To build and sell high-quality toys that will be cherished and handed down from generation to generation.

## Principal Members

Andrew Robertson — owner, designer and primary builder

Jane Robertson — business manager/bookkeeper

Bill Williams and Houlin Lee — builders, assemblers, and painters

Mickey Soukarin — web master and handles shipping for web, mail, and special orders

## Legal Structure

Wooden Grain Toys is a sole proprietorship.

# Market Research

## Industry

Built-Rite Toys will be a part of the toy manufacturing industry. Currently, wooden toys are considered a niche market, comprised of different sized companies. The largest companies, such as Plastique Toys and Metal Happy Toys, have large inventories of products that are offered internationally. The smallest companies sell locally either in shops, at craft fairs, or online.

This industry is currently suffering from the economic recession as consumers are spending less on non-essentials. However, industry revenues increased by \$1.2 million in the 2nd quarter of 2012. This means there is a potential for growth as the economy recovers.

## Detailed Description of Customers

The two groups that the company plans to market to are parents (age 18-30) of young children and grandparents (age 60-75) of young children with an income range of \$35,000 - \$80,000 a year. Our target customers are interested in giving durable, well-made toys to their children and grandchildren to help foster creativity. They value quality and they research the products they buy. Our target customers are willing to spend more money on products that are of higher quality and last longer.

## Company Advantages

Wooden Grain Toys has the following advantages compared to competitors:

- Basic, practical designs.
- Safe, non-toxic paints, parts, and accessories.
- Easy-to-assemble parts.
- All components are manufactured in America and made with grade-A wood, high quality steel, and rubber.
- Quick, 48-hour delivery since our goal is to keep at least 50 units of each toy in stock.
- High-quality, interactive website.
- Face-to-face interaction with customers at craft shows over a three state area.

## Regulations

Wooden Grain Toys must meet all federal and state regulations concerning toy manufacturing. Specifically, Code of Federal Regulations in Title 42, Parts 1234 and 9876.50, 51, 52 and 89 C.F.R. 5555.18(a)(9); Consumer Product Safety Improvement Act of 2008; Lead-Free Toys Act; and Title 99.9 of the Code of Oregon.

## Service Line

### Product/Service

Wooden Grain Toys will sell wooden toys made from solid hardwoods (maple, beech, birch, cherry, and oak) and steel rivets. The toys are handcrafted and designed for small children to easily use. Our line currently includes the following nine models:

- All-Purpose Pick-Up Truck w/movable doors and tailgate
- Dump Truck w/functioning dumping mechanism and box
- Biplane (two-seater) w/movable propeller
- Steam engine with coal tender - additional cars available separately:
  - Caboose, flat car w/logs, box car, tank car, coal car
- City Bus
- Tow Truck
- Flat-Bed Truck w/logs
- Sports Car
- Sedan

### Pricing Structure

Wooden Grain Toys will offer its products for the following prices:

- All-Purpose Pick-Up Truck w/movable doors and tailgate - \$25
- Dump Truck w/functioning dumping mechanism and box - \$30
- Biplane (two-seater) w/movable propeller - \$20
- Additional train cars (single car) - \$5
- Additional train cars (three cars) - \$12
- City Bus - \$12
- Tow Truck - \$18
- Flat-Bed Truck w/logs - \$35
- Sports Car - \$20
- Sedan - \$20

### Product Lifecycle

All current Wooden Grain Toys products are in production and inventory is being accumulated.

### Intellectual Property Rights

Wooden Grain Toys is a trademarked name in the State of Oregon.

## Research and Development

The company is planning to conduct the following research and development:

- Include a feedback mechanism on the website for ideas, suggestions, and improvements
- Provide comment cards for distribution at craft fairs
- Review available market research to identify top children's toys and reason(s) for their popularity

# Marketing & Sales

## Growth Strategy

To grow the company, Wooden Grain Toys will do the following:

- Sell products at craft fairs in California, Oregon, and Washington.
- As business grows, advertise in target markets, especially in advance of the holiday season.

## Communicate with the Customer

Wooden Grain Toys will communicate with its customers by:

- Providing an email newsletter with company news, product information, and craft fair schedule.
- Using targeted Google and Facebook advertisements.
- Utilizing social media such as Twitter, YouTube, Facebook, LinkedIn, Pinterest and Tumblr.
- Providing contact information on the company website.
- Adding labels on toys that include company name, contact info, and web address.

## How to Sell

Currently, the only person in charge of sales for Wooden Grain Toys is the owner, Andrew Robertson. As profits increase, Wooden Grain Toys will look to add an employee to assist with social media and online marketing. The target demographic for the company will be parents of children aged 3-10. The company will increase awareness to our targeted customers through online advertising and attending craft fairs.



*This example business plan is provided by the Small Business Administration.  
Get help starting and running your small business at [SBA.gov](https://www.sba.gov).*

<b>Wooden Grain Toy Company</b>	
<b>Identity</b> <p>Wooden Grain Toys manufactures high-quality hardwood toys for children aged 3-10.</p>	<b>Problem</b> <p>Parents and grandparents are looking for high-quality, durable toys that will entertain kids and foster creativity.</p>
<b>Our solution</b> <p>Our handcrafted toys are made from solid hardwoods, and are designed with sufficient moving parts to engage young children without limiting imagination.</p>	<b>Target market</b> <p>The target audience is adults, specifically parents and grandparents who wish to give toys to their children or grandchildren.</p>
<b>The competition</b> <p>Wooden toys are part of a niche market with companies of all sizes. Large companies include Plastique Toys and Metal Happy Toys, which sell internationally. Smaller companies sell locally in shops, craft fairs, or online.</p>	<b>Revenue streams</b> <p>Wooden Grain Toys will sell directly to customers at craft fairs and online.</p>
<b>Marketing activities</b> <p>Wooden Grain Toys will communicate with customers with an email newsletter, targeted Google and Facebook ads, social media, and in person at craft fairs.</p>	<b>Expenses</b> <ul style="list-style-type: none"> <li>• Materials for toys including wood, steel, and rubber</li> <li>• Craft fair fees and travel costs</li> <li>• Inventory space for products</li> </ul>
<b>Team and key roles</b> <p>Currently, the only team member is the owner, Andrew Robertson. As profits increase, Wooden Grain Toys will look to add an employee to assist with social media and online marketing.</p>	<b>Milestones</b> <p>As business grows, Wooden Grain Toys will advertise in target markets—especially in advance of the holiday season.</p>

FILING TYPE	Mail Filings	In-Person & Online Filings
<b>Assumed Name Minn. Stat. Chapter 333</b>		
Certificate of Assumed Name-Original Filing	\$30	\$50
Amendment	\$30	\$50
Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Cancellation	\$0	\$0
<b>Limited Liability Partnership (Domestic/Foreign) Minn. Stat. Chapter 323A</b>		
Statement Qualification-Original Filing	\$135	\$155
Statement of Amendment/Cancellation	\$135	\$155
Annual Renewal	\$135	\$155
Annual Renewal Reinstatement	\$160	\$180
Statement of Denial/Dissociation/Dissolution/Merger	\$135	\$155
Statement of Partnership Authority	\$135	\$155
Resignation of Agent	\$135	\$155
<b>Limited Partnership (Domestic/Foreign) Minn. Stat. Chapter 321</b>		
Certificate of Limited Partnership/Certificate of Authority-Original Filing	\$100	\$120
Amendment	\$50	\$70
Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Cancellation/Conversion/Merger	\$50	\$70
Resignation of Agent	\$50	\$70
<b>Business Corporation (Domestic) Minn. Stat. Chapter 302A</b>		
Articles of Incorporation-Original Filing	\$135	\$155
Amendment/Dissolution Filings	\$35	\$55
Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Conversion to Limited Liability Company	\$35	\$55
Merger	\$60	\$80
Resignation of Agent	\$35	\$55
<b>Business Corporation (Foreign) Minn. Stat. Chapter 303</b>		

Certificate of Authority-Original Filing	\$200	\$220
Amendment/Merger/Withdrawal Filings	\$50	\$70
Annual Renewal	\$115	\$135
Annual Renewal Reinstatement	\$500	\$520
Conversion	\$35	\$50
Dissolution	\$50	\$70
Resignation of Agent	\$50	\$70
<b>Nonprofit Corporation (Domestic)</b> <b>Minn. Stat. Chapter 317A</b>		
Articles of Incorporation-Original Filing	\$70	\$90
Amendment/Merger/Dissolution Filings	\$35	\$55
Resignation of Agent	\$35	\$55
Annual Renewal/Reinstatement	\$0	\$0
Change of Registered Agent and Office	\$35	\$55
Change of Registered Office Only	\$0	\$0
Resignation of Agent	\$35	\$55
<b>Nonprofit Corporation (Foreign)</b> <b>Minn. Stat. Chapter 303</b>		
Certificate of Authority-Original Filing	\$50	\$70
Amendment/Merger/Withdrawal Filings	\$50	\$70
Dissolution	\$50	\$70
Resignation of Agent	\$50	\$70
<b>Limited Liability Company (Domestic)</b> <b>Minn. Stat. Chapter 322C</b>		
Articles of Organization	\$135	\$155
Amendment	\$35	\$55
Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Conversion Filings	\$60	\$80
Domestication Filings	\$60	\$80
Statement of Dissolution	\$35	\$55
Statement of Termination	\$35	\$55
Merger	\$60	\$80
Resignation of Agent	\$35	\$55
Statement of Authority/Authority/Amendment	\$35	\$55
Cancellation	\$35	\$55
<b>Limited Liability Company (Foreign)</b> <b>Minn. Stat. Chapter 322C</b>		
Certificate of Authority	\$185	\$205
Amendments	\$35	\$55

Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Conversion Filings	\$60	\$80
Domestication Filings	\$60	\$80
Resignation of Agent	\$35	\$55
Withdrawal	\$35	\$55
Termination	\$35	\$55
<b>Cooperative (Domestic)</b> <b>Minn. Stats. Chapters 308A &amp; 308B</b>		
Articles of Incorporation/Organization – Original Filing	\$60	\$80
Amendment	\$35	\$55
Annual Renewal	\$0	\$0
Annual Renewal Reinstatement	\$25	\$45
Conversion/Dissolution	\$35	\$55
Merger	\$60	\$80
Resignation of Agent	\$35	\$55
<b>Cooperative (Foreign)</b> <b>Minn. Stat. Chapter 303</b>		
Certificate of Authority-Original Filing	\$200	\$220
Amendment/Merger/Withdrawal Filings	\$50	\$70
Annual Renewal	\$115	\$135
Annual Renewal Reinstatement	\$500	\$520
Dissolution	\$0	\$0
Resignation of Agent	\$50	\$70
<b>Reservation of Name</b>		
Name Reservation – Original Filing	\$35	\$55
Name Reservation Renewal	\$35	\$55
Cancellation	\$0	\$0
<b>Trademarks</b> <b>Minn. Stat. Chapter 333</b>		
Certificate of Registration – Original Filing	\$50	\$70
Renewal	\$25	\$45
Cancellation	\$0	\$0
Assignment	\$15	\$35
<b>Legal Newspapers</b>		
Legal Newspaper Registration – Original Filing	\$25	\$25
Legal Newspaper Renewal	\$25	\$25
<b>Miscellaneous Business Filings</b>		
Abandoned Name Affidavit	\$35	\$55

## Appendix C

Articles of Correction	\$35	\$55
Consent to Use of Name	\$35	\$55
Pre-Clearance Filings	\$250	\$250
<b>Service of Process</b>		
Minnesota Entities	\$35	\$55
Non-Minnesota Entities	\$50	\$70
<b>Business Copy &amp; Certification Schedule</b>		
Copy of Original Filing	\$3	\$13
Copy of Amendments	\$3 per filing	\$3 per filing + \$10 online fee
Certification of Filing(s)	Additional \$5 per Certification	Additional \$5 per Certification
Certified Copy of All / Specify Amendments	\$8	\$18
Copy of Specific Amendment	\$3	\$13
<b>Business Certificate</b>		
Certificate of Good Standing	\$5	\$15
Certificate of Existence & Registration	\$5	\$15
No Record Certificate	\$5	N/A

## Balance Sheet

As of: \_\_\_\_\_

<b>Assets</b>	\$ _____
Current Assets:	
Cash	_____
Marketable Securities	_____
Accounts Receivable (Net)	_____
Total Current Assets	_____
Fixed Assets:	
Property and Equipment	_____
Buildings	_____
Land	_____
Less: Accumulated Dep.	_____
Total Fixed Assets	_____
Other Assets	_____
Total Assets	=====

### Liability and Equity

Liabilities	
Current Liabilities:	
Accounts Payable	_____
Notes Payable	_____
Taxes Payable	_____
Other: _____	_____
Total Current Liabilities	_____
Non-Current Liabilities:	
Long-Term Debt	_____
Other: _____	_____
Total Non-Current Liabilities	_____
Total Liabilities	=====
Equity:	
Stock (Capital)	_____
Retained Earnings	_____
Total Equity	_____
<b>Total Liabilities and Equity</b>	=====

**Bank Reconciliation Worksheet**

Date \_\_\_\_\_

Closing balance shown on bank statement ..... 

Add deposits not credited:

..... ..... TOTAL DEPOSITS NOT CREDITED ..... Subtotal ..... 

Subtract outstanding checks:

No. .... ..... ..... ..... TOTAL OUTSTANDING CHECKS ..... Adjusted balance per bank statement ..... Balance shown in checkbook ..... Add: ..... (Needed Adjustments, if any) ..... Subtract: Bank service charge ..... Adjusted checkbook balance .....

## Statement of Cash Flows

	Current Period	Prior Period	Increase/ (Decrease)	Percent Change
Period Ending: _____	_____	_____	_____	_____
<u>Cash Flows from Operating Activities</u>	\$ _____	\$ _____		% _____
Net Income	_____	_____	_____	_____
Non-Cash Expenses Included in Net Income	_____	_____	_____	_____
Gain / Loss on Sale of Assets	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____
Net Change in Receivables	_____	_____	_____	_____
Net Change in Payables	_____	_____	_____	_____
Net Change in Inventory	_____	_____	_____	_____
Net Change in Accrued Items	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
<u>Net Cash</u>				
<u>Provided by Operating Activities</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Cash Flows from Investing Activities</u>				
Purchases of Capital Assets	_____	_____	_____	_____
Sales of Capital Asssets	_____	_____	_____	_____
Loans Given	_____	_____	_____	_____
Loan Repayments	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
<u>Net Cash</u>				
<u>Used by Investing Activities</u>	_____	_____	_____	_____
<u>Cash Flows from Financing Activities</u>				
Debt Reduction	_____	_____	_____	_____
Short-Term	_____	_____	_____	_____
Non-Current	_____	_____	_____	_____
Dividends	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
<u>Net Cash</u>				
<u>Used by Financing Activitues</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Net Increase / Decrease in Cash</u>	\$ _____	\$ _____	\$ _____	\$ _____
Schedule of Non-Cash Investing and Financing	_____	_____	_____	_____
Purchases of Capital Assets	_____	_____	_____	_____
Loans on Capital Assets	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Total Net Change	_____	_____	_____	_____



## Cash Flow (12 months)

Fiscal Year Begins: Apr-18

	Cash On Hand	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Total Item EST
Cash on Hand (beginning of month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CASH RECEIPTS</b>														
Sales-Credit Cards		0	0	0	0	0	0	0	0	0	0	0	0	0
CASH RECEIPTS		0	0	0	0	0	0	0	0	0	0	0	0	
Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>TOTAL CASH RECEIPTS</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash Available</b> (before cash out)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CASH PAID OUT</b>														
				0	0									
COGS		0	0	0	0	0	0	0	0	0	0	0	0	0
Salaries		0	0	0	0	0	0	0	0	0	0	0	0	0
Payroll Taxes		0	0	0	0	0	0	0	0	0	0	0	0	0
Electric		0	0	0	0	0	0	0	0	0	0	0	0	0
Supplies		0	0	0	0	0	0	0	0	0	0	0	0	0
Advertising		0	0	0	0	0	0	0	0	0	0	0	0	0
Square inc.		0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone		0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance		0	0	0	0	0	0	0	0	0	0	0	0	0
Bank Fees		0	0	0	0	0	0	0	0	0	0	0	0	0
Entertainment		0	0	0	0	0	0	0	0	0	0	0	0	0
Rent		0	0	0	0	0	0	0	0	0	0	0	0	0
Postage		0	0	0	0	0	0	0	0	0	0	0	0	0
Interest		0	0	0	0	0	0	0	0	0	0	0	0	0
Shop Exp.		0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor		0	0	0	0	0	0	0	0	0	0	0	0	0
used Oil		0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities		0	0	0	0	0	0	0	0	0	0	0	0	0
Rent		0	0	0	0	0	0	0	0	0	0	0	0	0
Wireless		0	0	0	0	0	0	0	0	0	0	0	0	0
Property Taxes		0	0	0	0	0	0	0	0	0	0	0	0	0
<b>SUBTOTAL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Repayment-Foundation	0	0	0	0	0	0	0	0	0	0	0	0	0	
Loan Repayment-Bank		0	0	0	0	0	0	0	0	0	0	0	0	
Loan Repayment-DCA-Austin		0	0	0	0	0	0	0	0	0	0	0	0	
Capital purchase (specify)	0													
Other startup costs	0													
Reserve and/or Escrow														
Owners' Withdrawal-Mary		0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL CASH PAID OUT</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Position</b> (end of month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Liquidate Inventory														

## Notes on Preparation

**Note:** You may want to print this information to use as reference later. To delete these instructions, click the border of this text box and then press the DELETE key.

Refer back to your Profit & Loss Projection. Line-by-line ask yourself when you should expect cash to come and go. You have already done a sales projection, now you must predict when you will actually collect from customers. On the expense side, you have previously projected expenses; now predict when you will actually have to write the check to pay those bills. Most items will be the same as on the Profit & Loss Projection. Rent and utility bills, for instance, are usually paid in the month they are incurred. Other items will differ from the Profit & Loss view. Insurance and some types of taxes, for example, may actually be payable quarterly or semiannually, even though you recognize them as monthly expenses. Just try to make the Cash Flow as realistic as you can line by line. The payoff for you will be an ability to manage and forecast working capital needs. Change the category labels in the left column as needed to fit your accounting system.

Note that lines for 'Loan principal payment' through 'Owners' Withdrawal' are for items that always are different on the Cash Flow than on the Profit & Loss. Loan Principal Payment, Capital Purchases, and Owner's Draw simply do not, by the rules of accounting, show up on the Profit & Loss Projection. They do, however, definitely take cash out of the business, and so need to be included in your Cash plan. On the other hand, you will not find Depreciation on the Cash Flow because you never write a check for Depreciation. Cash from Loans Received and Owners' Injections go in the "Loan/ other cash inj." row. The "Pre-Startup" column is for cash outlays prior to the time covered by the Cash Flow. It is intended primarily for new business startups or major expansion projects where a great deal of cash must go out before operations commence. The bottom section, "ESSENTIAL OPERATING DATA", is not actually part of the Cash model, but it allows you to track items which have a heavy impact on cash. The Cash Flow Projection is the best way to forecast working capital needs. Begin with the amount of Cash on Hand you expect to have. Project all the Receipts and Paid Outs for the year. If CASH POSITION gets dangerously low or negative, you will need to pump in more cash to keep the operation afloat. Many profitable businesses have gone under because they could not pay the bills while waiting for money to flow in. Your creditors do not care about profit; they want to be paid with cash. Cash is the financial lifeblood of your business.

## Comparative Balance Sheet

	Current Period	Prior Period	Increase (Decrease)	Percent Change
Dates: _____	_____	_____		
<b>Assets</b>	\$ _____	\$ _____	\$ _____	\$ _____
Current Assets:				
Cash	_____	_____	_____	_____
Marketable Securities	_____	_____	_____	_____
Accounts Receivable (Net)	_____	_____	_____	_____
Total Current Assets	_____	_____	_____	_____
Fixed Assets:				
Property and Equipment	_____	_____	_____	_____
Buildings	_____	_____	_____	_____
Land	_____	_____	_____	_____
Less: Accumulated Dep.	_____	_____	_____	_____
Total Fixed Assets	_____	_____	_____	_____
Other Assets	_____	_____	_____	_____
Total Assets	=====	=====	=====	=====
 <b>Liability and Equity</b>				
Liabilities				
Current Liabilities:				
Accounts Payable	_____	_____	_____	_____
Notes Payable	_____	_____	_____	_____
Taxes Payable	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Total Current Liabilities	_____	_____	_____	_____
Non-Current Liabilities:				
Long-Term Debt	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Total Non-Current Liabilities	_____	_____	_____	_____
Total Liabilities	_____	_____	_____	_____
Equity:				
Stock (Capital)	_____	_____	_____	_____
Retained Earnings	_____	_____	_____	_____
Total Equity	_____	_____	_____	_____
 <b>Total Liabilities and Equity</b>	=====	=====	=====	=====

## Comparative Income Statement by Periods

	Current Period	Prior Period	Increase/ (Decrease)	Percent Change
Date: _____				
	\$	\$		%
Revenues	_____	_____	_____	_____
Sales-Cash	_____	_____	_____	_____
Sales – Credit	_____	_____	_____	_____
Less Returns and Allowances	_____	_____	_____	_____
Net Sales	_____	_____	_____	_____
 Cost of Merchandise Sold				
Beginning Inventory	_____	_____	_____	_____
Purchases (Net)	_____	_____	_____	_____
Direct Labor	_____	_____	_____	_____
Outside Services	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Less Ending Inventory	_____	_____	_____	_____
Total Cost of Merchandise	_____	_____	_____	_____
 Gross Profit	_____	_____	_____	_____
 Operating Expenses	_____	_____	_____	_____
Selling Expenses	_____	_____	_____	_____
Advertising	_____	_____	_____	_____
Commissions	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Total Selling Expenses	_____	_____	_____	_____
General Expenses	_____	_____	_____	_____
Salary	_____	_____	_____	_____
Insurance	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____
Repairs and Maintenance	_____	_____	_____	_____
Interest	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
Utilities	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Total General Expenses	_____	_____	_____	_____
Total Operating Expenses	_____	_____	_____	_____
 Income from Operations	_____	_____	_____	_____
 Other Income	_____	_____	_____	_____
Other Expenses	_____	_____	_____	_____
Income (Loss) before Income Taxes	_____	_____	_____	_____
Income Taxes (Credits)	_____	_____	_____	_____
 Net Income (Loss)	=====	=====	=====	=====

**Income Statement**

Period of \_\_\_\_\_ to \_\_\_\_\_

	\$ _____
Revenues	_____
Sales – Cash	_____
Sales – Credit	_____
Less Returns and Allowances	_____
Net Sales	_____
 Cost of Merchandise Sold	
Beginning Inventory	_____
Purchases (Net)	_____
Direct Labor	_____
Outside Services	_____
Other: _____	_____
Less Ending Inventory	_____
Total Cost of Merchandise	_____
 Gross Profit	_____
 Operating Expenses	_____
Selling Expenses	_____
Advertising	_____
Commissions	_____
Other: _____	_____
Total Selling Expenses	_____
General Expenses	_____
Salary	_____
Insurance	_____
Depreciation	_____
Repairs and Maintenance	_____
Interest	_____
Taxes	_____
Utilities	_____
Other: _____	_____
Total General Expenses	_____
Total Operating Expenses	_____
 Income From Operations	_____
 Other Income	_____
Other Expenses	_____
Income (Loss) Before Income Taxes	_____
Income Taxes (Credits)	_____
 Net Income (Loss)	=====

30 July 2019

For Immediate Release:

Media Contact:  
Rebecca Charles  
(605) 695-6765  
[Rebecca.Charles@cedausa.com](mailto:Rebecca.Charles@cedausa.com)

### Spring Grove EDA Hosts Leadership Workshop

Spring Grove, Minn – The Spring Grove Economic Development Authority (EDA) hosted its second Business Breakfast Workshop on Wednesday, July 24<sup>th</sup>, with a focus on Leadership Fundamentals for Business. This free workshop was supported by Merchants Bank and the Southern Minnesota Initiative Foundation.

Fifteen local business and community leaders attended the workshop, which was led and administered by Winona State University. The workshop covered the fundamentals of communication for effective leadership, including conflict resolution, providing effective feedback, building consensus, and conducting meetings with actionable outcomes. All attendees were eligible to receive continuing education units for their participation.

This was the second in a series of workshops that are designed to assist area entrepreneurs and business owners with the knowledge and resources to be successful. This educational series is part of the Rural Entrepreneurial Ventures (REV) Program, which is a broader initiative to build the entrepreneurial culture of the community and find innovative ways to support businesses.

For more information on EDA programming or to get involved in future REV programming, please visit [springgrovemn.com](http://springgrovemn.com) or contact Courtney Bergey Swanson at [courtney.bergey@cedausa.com](mailto:courtney.bergey@cedausa.com).

#

# Standard Application for Employment

*It is our policy to comply with all applicable state and federal laws prohibiting discrimination in employment based on race, age, color, sex, religion, national origin, disability or other protected classifications.*

Please carefully read and answer all questions. You will not be considered for employment if you fail to completely answer all the questions on this application. You may attach a résumé, but all questions must be answered.

“Employer”	Position applying for
------------	-----------------------

## PERSONAL DATA

Name (last, first, middle)				
Street Address and/or Mailing Address		City	State	Zip
Home Telephone Number	Business Telephone Number		Cellular Telephone Number	
Date you can start work	Salary Desired	Do you have a High School Diploma or GED? Yes <input type="checkbox"/> No <input type="checkbox"/>		

## POSITION INFORMATION

Check all that you are willing to work

Hours: Full Time <input type="checkbox"/> Part Time <input type="checkbox"/>	Days <input type="checkbox"/> Evenings <input type="checkbox"/>	Swing <input type="checkbox"/> Graveyard <input type="checkbox"/> Weekends <input type="checkbox"/>	Status: Regular <input type="checkbox"/> Temporary <input type="checkbox"/>
Are you authorized to work in the U.S. on an unrestricted basis?			Yes <input type="checkbox"/> No <input type="checkbox"/>
Have you ever been convicted of a felony? (Convictions will not necessarily disqualify an applicant for employment.) If yes, explain:			Yes <input type="checkbox"/> No <input type="checkbox"/>
Have you been told the essential functions of the job or have you been viewed a copy of the job description listing the essential functions of the job? Yes <input type="checkbox"/> No <input type="checkbox"/>			
Can you perform these essential functions of the job with or without reasonable accommodation? Yes <input type="checkbox"/> No <input type="checkbox"/>			

## QUALIFICATIONS

Please list any education or training you feel relates to the position applied for that would help you perform the work, such as schools, colleges, degrees, vocational or technical programs, and military training.

	School Name	Degree	Address/City/State
School			
School			
Other			

## SPECIAL SKILLS

List any special skills or experience that you feel would help you in the position that you are applying for (leadership, organizations/teams, etc.)

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## REFERENCES

Please list three professional references not related to you, with full name, address, phone number, and relationship. If you don't have three professional references, then list personal, unrelated references.

Name	Address/City/State	Phone	Relationship

<b>WORK HISTORY</b> Start with your present or most recent employment and work back. Use separate sheet if necessary. (INCLUDE PAID AND UNPAID POSITIONS)		
<b>Job Title #1</b>	Start Date (mo/day/yr)	End Date (mo/day/yr)
Company Name	Supervisor's Name	Phone Number
City	State	Zip
Duties:		
Reason for Leaving	Starting Salary	Ending Salary

May we contact your present employer? Yes ☐ No ☐ N/A ☐

<b>Job Title #2</b>	Start Date (mo/day/yr)	End Date (mo/day/yr)
Company Name	Supervisor's Name	Phone Number
City	State	Zip
Duties:		
Reason for Leaving	Starting Salary	Ending Salary

<b>Job Title #3</b>	Start Date (mo/day/yr)	End Date (mo/day/yr)
Company Name	Supervisor's Name	Phone Number
City	State	Zip
Duties:		
Reason for Leaving	Starting Salary	Ending Salary

<b>Job Title #4</b>	Start Date (mo/day/yr)	End Date (mo/day/yr)
Company Name	Supervisor's Name	Phone Number
City	State	Zip
Duties:		
Reason for Leaving	Starting Salary	Ending Salary

I certify that the facts set forth in this Application for Employment are true and complete to the best of my knowledge. I understand that if I am employed, false statements, omissions or misrepresentations may result in my dismissal. I authorize the Employer to make an investigation of any of the facts set forth in this application and release the Employer from any liability. The employer may contact any listed references on this application.

I acknowledge and understand that the company is an "at will" employer. Therefore, any employee (regular, temporary, or other type of category employee) may resign at any time, just as the employer may terminate the employment relationship with any employee at any time, with or without cause, with or without notice to the other party.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date



[ Name of Company]

[Date]

Re: Terms of Employment

Dear \_\_\_\_\_:

We are pleased to inform you that [Name of Company] (the “Company”) has decided to make you this offer of employment. This letter sets forth the terms of the offer which, if you accept, will govern your employment.

- 1. Position; Duties.** Your position will be \_\_\_\_\_, reporting to the \_\_\_\_\_ of the Company. Your duties and responsibilities will be as designated by the Company, with an initial focus on (i) \_\_\_\_\_ and (ii) \_\_\_\_\_.
- 2. Employment.** The employment term will begin on \_\_\_\_\_, \_\_\_\_\_, and will consist of [full time employment] [part time employment of \_\_\_\_ hours a week].
- 3. Compensation.** Your compensation will be \$ \_\_\_\_\_, paid [every two weeks] consistent with the Company’s payroll practices. Your package will include participation in the health and other benefit plans of the Company pursuant to their terms as may be amended by the Company from time to time. You will be entitled to \_\_\_\_\_ weeks paid vacation (equivalent of business days) for each year of full employment. Unused vacation time should be taken and may not be carried over into subsequent years.
- 4. Stock Options.** Subject to approval of our Board of Directors, we expect you will be granted options to acquire \_\_\_\_\_ shares of the Company’s Common Stock, vesting over a [four (4)] year term with one (1) year cliff vesting for 1/4th of the options. The options are expected to be granted at a strike price of \$ \_\_\_\_\_ per share. The terms and conditions of your stock options are contained in a Stock Option Agreement of today’s date and must be executed by you and returned to us immediately.
- 5. Employment at Will.** Our employment relationship is terminable at will, which means that either you or the Company may terminate your employment at any time, and for any reason or for no reason. Our at will agreement can only be modified by a writing signed by both you and the CEO of the Company.
- 6. Confidentiality and Invention Assignment Agreement.** You will be subject to the Company’s Confidentiality and Invention Assignment Agreement, which is enclosed with this letter and must be signed and returned by you before any employment relationship will be effective.
- 7. Certain Acts.** During employment with the Company, you will not do anything to compete with the Company’s present or contemplated business. You will not engage in any conduct or enter into any agreement that conflicts with your duties or obligations to the Company. You will not during your employment or within one (1) year after it ends, directly or indirectly solicit any employee, agent, or independent contractor to terminate his or her relationship with the Company.
- 8. Representations.** You represent that you are aware of no obligations legal or otherwise, inconsistent with the terms of this Agreement or with your undertaking employment with the Company. You will not disclose to the Company, or use, or induce the Company to use, any

proprietary information or trade secrets of others. You represent that you have returned all proprietary and confidential information belonging to all prior employers. You also represent and warrant that all information provided to the Company (including any information in your resume and any Employment Application) is true, correct, and complete.

## **9. Arbitration.**

a) Disputes can arise even in the best of relationships. Rather than fighting it out in court, both you and the Company agree that any controversy, claim, or dispute arising out of or relating to this Agreement or the employment relationship or your compensation, either during the existence of the employment relationship or afterwards, between the parties hereto, shall be settled solely and exclusively by confidential binding arbitration in the city in which you work.

b) Such arbitration shall be conducted in accordance with the JAMS Employment Rules & Procedures (which can be reviewed at <http://www.jamsadr.com/rules-employment-arbitration>) in existence at the time of the commencement of the arbitration, with the following exceptions if in conflict: The Company will pay the arbitration filing fees and the arbitrator's fees; one arbitrator shall be appointed by JAMS; and arbitration may proceed in the absence of any party if written notice (pursuant to the JAMS' rules and regulations) of the proceedings has been given to such party.

c) The parties agree to abide by all decisions and awards rendered in such proceedings.

d) You and the Company agree that any claim for breach of this Agreement and any claim regarding or related to your employment, including disputes regarding compensation, discrimination, wrongful termination, harassment, and any and all other conflicts or claims will be resolved solely and exclusively by confidential final and binding arbitration on an individual basis only, and not on a class, collective, or private attorney general representative basis on behalf of other employees, to the extent not prohibited by applicable law.

e) We both agree to waive any rights to a jury trial or a bench trial in connection with the resolution of any dispute under this Agreement (although both of us may seek interim emergency relief from a court to prevent irreparable harm pending the conclusion of any arbitration).

f) This Section 9 arbitration provisions shall not apply to the following matters: (1) claims for workers' compensation; (2) claims for unemployment compensation benefits; (3) claims or charges before an administrative agency having jurisdiction over the matter; or (4) claims that are forbidden to be arbitrated as a matter of law.

g) Any dispute or claim concerning the scope or enforceability of the arbitrations provisions of this Section 9 shall be determined exclusively by an arbitrator pursuant to the procedures set forth above.

h) The arbitrator shall have the power to award all relief available in law or equity requested by the parties and supported by credible, relevant, and admissible evidence.

i) Arbitration is not a mandatory condition of your employment. If you wish to opt out of the arbitration provisions of this Section 9, you must notify the Company by email to

@                    .com, stating your decision to opt out, within 10 days of your signing this Agreement.

**10. Miscellaneous.** Upon your acceptance, this letter will contain the entire agreement and understanding between you and the Company and supersedes any prior or contemporaneous agreements, understandings, term sheets, communications, offers, representations, warranties, or commitments by or on behalf of the Company (oral or written). The terms of your employment may in the future be amended, but only by writing and which is signed by both you and, on behalf of the Company, by a duly authorized executive officer, provided, however, that you agree to comply with the provisions of the Company's Employee Handbook, as may be amended or adapted by the Company from time to time. In making this offer, we are relying on the information you have provided us about your background and experience, including any information provided us in any Employment Application that you may have submitted to us. The language in this letter will be construed as to its fair meaning and not strictly for or against either of us. If any provision of this Agreement is held invalid, in whole or in part, such invalidity will not affect the remainder of such provision or the remaining provisions of this Agreement. This Agreement is governed by [State] law (without regard to conflicts of law principles) and the Federal Arbitration Act (FAA), but in case of a conflict the FAA controls.

If these terms are acceptable, please sign in the space provided below and return this letter to us. Again, we're very excited to have you join the Company.

Yours truly,

[Name]

[Title]

## IMPORTANT

**I agree that I have been given a reasonable opportunity to read this Agreement carefully. I have not been promised anything that is not described in this Agreement. The Company encourages me to discuss the Agreement with my legal advisor. I have read this Agreement, understand it, and I am signing it voluntarily. By signing the Agreements, I understand that the parties are agreeing to arbitration for any disputes as set forth above.**

Agreed and Accepted:

[Name]

## **Employment At-Will Policy**

Employment at the Company is employment at-will. This means that an employee's employment can be terminated at any time by the employee or the Company, with or without advance notice and with or without cause. Nothing in any document or statement now in existence or hereafter created shall limit the right to terminate the employment at-will, except pursuant to a written employment agreement signed by the CEO of the Company and the employee. No other officer, agent or employee of the Company has the authority to revise, waive or alter this at-will employment policy, which cannot be altered other than pursuant to a written agreement signed by the CEO and the employee.

## CONFIDENTIAL INFORMATION AND INVENTION ASSIGNMENT AGREEMENT FOR EMPLOYEE

This CONFIDENTIAL INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (the "Agreement") is made between \_\_\_\_\_ (the "Company") and the undersigned employee.

In consideration of my employment with the Company (which for purposes of this Agreement shall be deemed to include any subsidiaries or Affiliates of the Company), the receipt of confidential information while associated with the Company, and other good and valuable consideration, I, the undersigned individual, agree that:

1. Term of Agreement. This Agreement shall continue in full force and effect for the duration of my employment by the Company (the "Period of Employment") and shall continue thereafter as otherwise provided in this Agreement.

### 2. Confidentiality.

(a) Definitions. "Proprietary Information" is all information and any idea whatever form, tangible or intangible, pertaining in any manner to the business of the Company, or any of its Affiliates, or its employees, clients, consultants, or business associates, which was produced by any employee or consultant of the Company in the course of his or her employment or consulting relationship or otherwise produced or acquired by or on behalf of the Company. All Proprietary Information not generally known outside of the Company's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." By example and without limiting the foregoing definition, Proprietary and Confidential Information shall include, but not be limited to:

(1) formulas, research and development techniques, processes, trade secrets, computer programs, software, electronic codes, mask works, inventions, innovations, patents, patent applications, discoveries, improvements, data, know-how, formats, test results, and research projects;

(2) information about costs, profits, markets, sales, contracts and lists of customers, and distributors;

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For purposes of this agreement, "Affiliate" shall mean any person or entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(3) business, marketing, and strategic plans;

(4) forecasts, unpublished financial information, budgets, projections, and customer identities, characteristics and agreements; and

(5) employee personnel files and compensation information.

Confidential Information is to be broadly defined, and includes all information that has or could have commercial value or other utility in the business in which the Company is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of the Company, whether or not such information is identified as Confidential Information by the Company.

(b) Existence of Confidential Information. The Company owns and has developed and compiled, and will develop and compile, certain trade secrets, proprietary techniques and other Confidential Information which have great value to its business. This Confidential Information includes not only information disclosed by the Company to me, but also information developed or learned by me during the course of my employment with the Company.

(c) Protection of Confidential Information. I will not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any third party, other than in my assigned duties and for the benefit of the Company, any of the Company's Confidential Information, either during or after my employment with the Company. In the event I desire to publish the results of my work for the Company through literature or speeches, I will submit such literature or speeches to the President of the Company at least 10 days before dissemination of such information for a determination of whether such disclosure may alter trade secret status, may be highly prejudicial to the interests of the Company, or may constitute an invasion of its privacy. I agree not to publish, disclose or otherwise disseminate such information without prior written approval of the President of the Company. I acknowledge that I am aware that the unauthorized disclosure of Confidential Information of the Company may be highly prejudicial to its interests, an invasion of privacy, and an improper disclosure of trade secrets.

(d) Delivery of Confidential Information. Upon request or when my employment with the Company terminates, I will immediately deliver to the Company all copies of any and all materials and writings received from, created for, or belonging to the Company including, but not

# Appendix O

limited to, those which relate to or contain Confidential Information.

(e) Location and Reproduction. I shall maintain at my work station and/or any other place under my control only such Confidential Information as I have a current “need to know.” I shall return to the appropriate person or location or otherwise properly dispose of Confidential Information once that need to know no longer exists. I shall not make copies of or otherwise reproduce Confidential Information unless there is a legitimate business need of the Company for reproduction.

(f) Prior Actions and Knowledge. I represent and warrant that from the time of my first contact with the Company I held in strict confidence all Confidential Information and have not disclosed any Confidential Information, directly or indirectly, to anyone outside the Company, or used, copied, published, or summarized any Confidential information, except to the extent otherwise permitted in this Agreement.

(g) Third-Party Information. I acknowledge that the Company has received and in the future will receive from third parties their confidential information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. I agree that, during the Period of Employment and thereafter, I will hold all such confidential information in the strictest confidence and not to disclose or use it, except as necessary to perform my obligations hereunder and as is consistent with the Company's agreement with such third parties.

(h) Third Parties. I represent that my employment with the Company does not and will not breach any agreements with or duties to a former employer or any other third party. I will not disclose to the Company or use on its behalf any confidential information belonging to others and I will not bring onto the premises of the Company any confidential information belonging to any such party unless consented to in writing by such party.

### 3. Proprietary Rights, Inventions and New Ideas.

(a) Definition. The term “Subject Ideas or Inventions” includes any and all ideas, processes, trademarks, service marks, inventions, designs, technologies, computer hardware or software, original works of authorship, formulas, discoveries, patents, copyrights, copyrightable works products, marketing and business ideas, and all improvements, know-how, data, rights, and claims related to the foregoing that, whether or not patentable, which are conceived, developed or created which: (1) relate to the Company's current or contemplated business or activities; (2) relate to the Company's actual or demonstrably anticipated research or development; (3) result from any work performed by me for

the Company; (4) involve the use of the Company's equipment, supplies, facilities or trade secrets; (5) result from or are suggested by any work done by the Company or at the Company's request, or any projects specifically assigned to me; or (6) result from my access to any of the Company's memoranda, notes, records, drawings, sketches, models, maps, customer lists, research results, data, formulae, specifications, inventions, processes, equipment or other materials (collectively, “Company Materials”).

(b) Company Ownership. All right, title and interest in and to all Subject Ideas and Inventions, including but not limited to all registrable and patent rights which may subsist therein, shall be held and owned solely by the Company, and where applicable, all Subject Ideas and Inventions shall be considered works made for hire. I shall mark all Subject Ideas and Inventions with the Company's copyright or other proprietary notice as directed by the Company and shall take all actions deemed necessary by the Company to protect the Company's rights therein. In the event that the Subject Ideas and Inventions shall be deemed not to constitute works made for hire, or in the event that I should otherwise, by operation of law, be deemed to retain any rights (whether moral rights or otherwise) to any Subject Ideas and Inventions, I agree to assign to the Company, without further consideration, my entire right, title and interest in and to each and every such Subject Idea and Invention.

(c) California Labor Code (If Applicable). However, Section 3(b) shall not apply if and to the extent that California Labor Code Section 2870 lawfully prohibits the assignment of rights in such intellectual property. I acknowledge that I understand the limits placed on this definition by California Labor Code Section 2870, if applicable to me, which provides:

(1) “Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

a. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

b. Result from any work performed by the employee for the employer.

(2) To the extent a provision in an employment agreement purports to require an employee to assign

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an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.”

(d) Burden. I understand that I bear the full burden of proving to the Company that an Invention qualifies fully under Section 2870. I agree to disclose promptly to the Company full details of any and all Subject Ideas and Inventions.

(e) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Subject Ideas and Inventions and their development made by me (solely or jointly with others) during the term of my employment with the Company. These records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. These records will be available to and remain the sole property of the Company at all times.

(f) Determination of Subject Ideas and Inventions. I further agree that all information and records pertaining to any idea, process, trademark, service mark, invention, technology, computer hardware or software, original work of authorship, design, formula, discovery, patent, copyright, product, and all improvements, know-how, rights, and claims related to the foregoing (“Intellectual Property”), that I do not believe to be a Subject Idea or Invention, but that is conceived, developed, or reduced to practice by the Company (alone by me or with others) during the Period of Employment and for one (1) year thereafter, shall be disclosed promptly by me to the Company (such disclosure to be received in confidence). The Company shall examine such information to determine if in fact the Intellectual Property is a Subject Idea or Invention subject to this Agreement.

(g) Access. Because of the difficulty of establishing when any Subject Ideas or Inventions are first conceived by me, or whether it results from my access to Confidential Information or Company Materials, I agree that any Subject Idea and Invention shall, among other circumstances, be deemed to have resulted from my access to Company Materials if: (1) it grew out of or resulted from my work with the Company or is related to the business of the Company, and (2) it is made, used, sold, exploited or reduced to practice, or an application for patent, trademark, copyright or other proprietary protection is filed thereon, by me or with my significant aid, within one year after termination of the Period of Employment.

(h) Assistance. I further agree to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights or registrations on said Subject Ideas and

Inventions in any and all countries, and to that end will execute all documents necessary:

(1) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(2) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection; and

(3) to cooperate with the Company (but at the Company's expense) in any enforcement or infringement proceeding on such letters patent, copyright or other analogous protection.

(i) Authorization to Company. In the event the Company is unable, after reasonable effort, to secure my signature on any patent, copyright or other analogous protection relating to a Subject Idea and Invention, whether because of my physical or mental incapacity or for any other reason whatsoever, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead to execute and file any such application, applications or other documents and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of letters patent, copyright or other analogous rights or protections thereon with the same legal force and effect as if executed by me. My obligation to assist the Company in obtaining and enforcing patents and copyrights for Subject Ideas and Inventions in any and all countries shall continue beyond the termination of my relationship with the Company, but the Company shall compensate me at a reasonable rate after such termination for time actually spent by me at the Company's request on such assistance.

(j) Exhibit. I acknowledge that there are no currently existing ideas, processes, inventions, discoveries, marketing or business ideas or improvements which I desire to exclude from the operation of this Agreement, unless a reference thereto has been attached as an exhibit hereto. To the best of my knowledge, there is no other contract to assign inventions, trademarks, copyrights, ideas, processes, discoveries or other intellectual property that is now in existence between me and any other person (including any business or governmental entity).

(k) No Use of Name. I shall not at any time use the Company's name or any the Company trademark(s) or trade

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name(s) in any advertising or publicity without the prior written consent of the Company.

## 4. Competitive Activity.

(a) Acknowledgment. I acknowledge that the pursuit of the activities forbidden by Section 4(b) below would necessarily involve the use, disclosure or misappropriation of Confidential Information.

(b) Prohibited Activity. To prevent the above-described disclosure, misappropriation and breach, I agree that during my employment and for a period of one (1) year after termination of the Period of Employment, without the Company's express written consent, I shall not, directly or indirectly, (i) employ, solicit for employment, or recommend for employment any person employed by the Company (or any Affiliate); and (ii) engage in any present or contemplated business activity that is or may be competitive with the Company (or any Affiliate) in any state where the Company conducts its business, unless I can prove that any action taken in contravention of this subsection (ii) was done without the use in any way of Confidential Information.

5. Representations and Warranties. I represent and warrant (i) that I have no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with my undertaking a relationship with the Company; (ii) that the performance of the services called for by this Agreement do not and will not violate any applicable law, rule or regulation or any proprietary or other right of any third party; (iii) that I will not use in the performance of my responsibilities for the Company any materials or documents of a former employer; and (iv) that I have not entered into or will enter into any agreement (whether oral or written) in conflict with this Agreement.

## 6. Termination Obligations.

(a) Upon the termination of my relationship with the Company or promptly upon the Company's request, I shall surrender to the Company all equipment, tangible Proprietary Information, documents, books, notebooks, records, reports, notes, memoranda, drawings, sketches, models, maps, contracts, lists, computer disks (and other computer-generated files and data), any other data and records of any kind, and copies thereof (collectively, "Company Records"), created on any medium and furnished to, obtained by, or prepared by myself in the course of or incident to my employment, that are in my possession or under my control.

(b) My representations, warranties, and obligations contained in this Agreement shall survive the termination of the Period of Employment.

(c) Following any termination of the Period of Employment, I will fully cooperate with the Company in all matters relating to my continuing obligations under this Agreement.

(d) In the event that I leave the employ of the Company I hereby grant consent to notification by the Company to my new employer about my rights and obligations under this Agreement.

(e) Upon termination of the Period of Employment, I will execute a Certificate acknowledging compliance with this Agreement in the form reasonably provided by the Company.

7. Injunctive Relief. I acknowledge that my failure to carry out any obligation under this Agreement, or a breach by me of any provision herein, will constitute immediate and irreparable damage to the Company, which cannot be fully and adequately compensated in money damages and which will warrant preliminary and other injunctive relief, an order for specific performance, and other equitable relief. I further agree that no bond or other security shall be required in obtaining such equitable relief and I hereby consent to the issuance of such injunction and to the ordering of specific performance. I also understand that other action may be taken and remedies enforced against me.

8. Modification. No modification of this Agreement shall be valid unless made in writing and signed by both parties.

9. Binding Effect. This Agreement shall be binding upon me, my heirs, executors, assigns and administrators and is for the benefit of the Company and its successors and assigns.

10. Governing Law. This Agreement shall be construed in accordance with, and all actions arising under or in connection therewith shall be governed by, the internal laws of the State of \_\_\_\_\_ (without reference to conflict of law principles).

11. Integration. This Agreement sets forth the parties' mutual rights and obligations with respect to proprietary information, prohibited competition, and intellectual property. It is intended to be the final, complete, and exclusive statement of the terms of the parties' agreements regarding these subjects. This Agreement supersedes all other prior and contemporaneous agreements and statements on these subjects, and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements. To the extent that the practices, policies, or procedures of the Company, now or in the future, apply to myself and are inconsistent with the terms of this Agreement, the provisions



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of this Agreement shall control unless changed in writing by the Company.

12. Employment at Will. This Agreement is not an employment agreement. I understand that the Company may terminate my association or employment with it at any time, with or without cause, subject to the terms of any separate written employment agreement executed by a duly authorized officer of the Company.

13. Construction. This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not limitation, this Agreement shall not be construed against the party responsible for any language in this Agreement. The headings of the paragraphs hereof are inserted for convenience only, and do not constitute part of and shall not be used to interpret this Agreement.

14. Attorneys' Fees. Should either I or the Company, or any heir, personal representative, successor or permitted assign of either party, resort to legal proceedings to enforce this Agreement, the prevailing party (as defined in California statutory law) in such legal proceeding shall be awarded, in addition to such other relief as may be granted, attorneys' fees and costs incurred in connection with such proceeding.

15. Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of this Agreement and such term, provision, covenant or condition as applied to other persons, places and circumstances shall remain in full force and effect.

16. Rights Cumulative. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either the Company or me (or by that party's successor), whether pursuant hereto, to any other agreement, or to law, shall not preclude or waive that party's right to exercise any or all other rights and remedies. This Agreement will inure to the benefit of the Company and its successors and assigns.

17. Nonwaiver. The failure of either the Company or me, whether purposeful or otherwise, to exercise in any instance any right, power or privilege under this Agreement or under law shall not constitute a waiver of any other right, power or privilege, nor of the same right, power or privilege in any other instance. Any waiver by the Company or by me must be in writing and signed by either myself, if I am seeking to waive any of my rights under this Agreement, or by an officer of the Company (other than me) or some other person duly authorized by the Company.

18. Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if it is in writing, and if and when it is hand delivered or sent by regular mail, with postage prepaid, to my residence (as noted in the Company's records), or to the Company's principal office, as the case may be.

19. Date of Effectiveness. This Agreement shall be deemed effective as of the commencement of my employment with the Company.

20. Agreement to Perform Necessary Acts. I agree to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

21. Assignment. This Agreement may not be assigned without the Company's prior written consent.

22. Compliance with Law. I agree to abide by all federal, state, and local laws, ordinances and regulations.

23. Employee Acknowledgment. I acknowledge that I have had the opportunity to consult legal counsel in regard to this Agreement, that I have read and understand this Agreement, that I am fully aware of its legal effect, and that I have entered into it freely and voluntarily and based on my own judgment and not on any representations or promises other than those contained in this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth below.

CAUTION: THIS AGREEMENT CREATES IMPORTANT OBLIGATIONS OF TRUST AND AFFECTS THE EMPLOYEE'S RIGHTS TO INVENTIONS AND OTHER INTELLECTUAL PROPERTY THE EMPLOYEE MAY DEVELOP DURING HIS OR HER EMPLOYMENT.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Employee Signature

Printed Name of Employee: \_\_\_\_\_

[Name of Company]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Employee Appraisal Form

Date: _____	
Name of Employee:	Completed By:
<p>A. Most successful job accomplishments since last performance period:</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	
<p>B. Key strengths of employee:</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	
<p>C. Problems since last performance appraisal:</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	
<p>D. Key areas that need improvement:</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	

## Employee Appraisal Form

<b>E. Teamwork Ability:</b>  1. _____ 2. _____ 3. _____ 4. _____						
<b>F. What Warnings, If Any, Should be Given to Employee?</b>  1. _____ 2. _____ 3. _____ 4. _____						
<b>G. How Would You Rate the Employee on the Following:</b>						
	Excellent	Above Satisfactory	Satisfactory	Average	Below Average	Unsatisfac- tory
Attitude						
Initiative						
Dependability						
Work quality						
Work quantity						
Knowledge of job						
Team Play						
Organization Ability						
Judgement						
Responsibility						
<b>H. Any other Observations?:</b> _____ _____ _____						

## Employee Appraisal Form

**I. Action to be taken if improvement is desired:**

<i>Plan of action</i>	<i>By whom</i>	<i>Future Review Dates Schedule</i>				<i>Completion Date</i>

**J. Overall Performance:**

Excellent (90-100) \_\_\_\_\_

Average (70-74) \_\_\_\_\_

Above Satisfactory (80-89) \_\_\_\_\_

Below Average (60-69) \_\_\_\_\_

Satisfactory (75-79) \_\_\_\_\_

Unsatisfactory (under 60) \_\_\_\_\_

Has this performance appraisal been reviewed with the employee? \_\_\_\_\_ Yes \_\_\_\_\_ No

## Exit Interview

Date: _____		
Employee's Name: _____		
Department: _____		
Job Title: _____		
Supervisor: _____		
Dates of Employment: _____		
Reason for Leaving Company: _____		
Employee Informed of Restrictions On:		
<input type="checkbox"/> Solicitations of customers (if applicable)	<input type="checkbox"/> Restrictions on solicitations of employees	
<input type="checkbox"/> Removing company documents	<input type="checkbox"/> Patents	
<input type="checkbox"/> Confidentiality obligations	<input type="checkbox"/> Customer lists	
<input type="checkbox"/> Other _____		
Return of:		
<input type="checkbox"/> Keys	<input type="checkbox"/> Credit Card	<input type="checkbox"/> ID Card
<input type="checkbox"/> Building Pass	<input type="checkbox"/> Company Documents	
<input type="checkbox"/> Company Equipment	<input type="checkbox"/> Other Company Property	
What is your primary reason for leaving? _____		
_____		
_____		
Do you feel you were treated fairly by the company? _____		
_____		
Would you consider coming back to the company? _____		
_____		
Were you paid an adequate salary for the work you did? _____		
_____		
_____		

**Exit Interview**  
**(Continued)**

Do you believe management adequately recognized employee contributions? \_\_\_\_\_

Did you understand company policies and the reasons for them? \_\_\_\_\_

Have you observed incidences of illegal acts within the company? \_\_\_\_\_

Do you feel your training was adequate? \_\_\_\_\_

Were you content with your working conditions? \_\_\_\_\_

Are security arrangements appropriate in the company? Could they be improved? \_\_\_\_\_

Do you have any suggestions for improving employee morale? \_\_\_\_\_

What was the best part of your job here? \_\_\_\_\_

\_\_\_\_\_  
Signature of Person Conducting the Interview

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