Start Your Own Business in Rockford

City of Rockford
Economic Development Division
Community Development Department

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Disclaimer:

This book was compiled by the City of Rockford Economic Development Division, Department of Community Development to provide important information and contact to men and women who have chosen to locate their businesses in Rockford. Information is subject to change without notification. Though considered accurate at the time of publication, no liability is accepted for error.

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Be Prepared!

Starting a new business on your own is a demanding adventure. Congratulations for beginning your journey with the confidence to ask for advice. This guide is designed to present you with the paths that will lead you to your ultimate goal—a successful business. Having progressed this far, you must have given this idea a lot of thought. It is now time to do some more.

Although we encourage you to use this guide and the services of the public agencies and non-profit organizations it describes, we cannot stress enough that seeking professional advice from attorneys, bankers, real estate brokers, insurance specialists, accountants, business counselors, marketing consultants and others is very important. Such professionals can work with you over time, becoming familiar with you and your business and can help you in evaluating potential business opportunities in light of your personal goals. *Successful business people seek and follow the best advice possible.*

The question "Can I do it?" has probably entered your mind many times since first contemplating having your own business. The answer is – *can you?* Being objective, evaluate your skills, especially those skills you enjoy, and those you think the business will require. Do you and the business match? Will you be able to manage the business, books, Employees, and long hours? How much can you invest, both in time and dollars? Do you believe you have what it takes to risk everything you now have to possibly have a successful business some time in the future?

Honestly answering questions such as those posed above allows you to evaluate your personal strengths and weaknesses, which is the first step in planning for the success of your business. Remember that not everyone is cut to be an entrepreneur. Since running that your own business often puts everything you won at risk, the next section will discuss some popular business **myths**.

- **I don't need much money to get started. (Alias: business undercapitalized)-** ***Fact***: Not enough money invested in the business can lead to a negative cash flow. Instead, maintaining a cash reserve is critical. All your customers will not be prompt payers. Collection of account receivable must be dealt with on a daily basis. Businesses growing too quickly often find themselves short of cash when it becomes necessary to increase production.
- **I can live off the business immediately. (Alias: get rich quickly)-** ***Fact:*** Most businesses take at least 6 months to 2 years before paying a decent wage to the entrepreneur. Get rich stories are not norm. It is imperative that family members support your decision to go into business. They or you may need other part-time employment until your business "gets on its feet." Hard work and perseverance are the keys to a successful business. These qualities take time.
- **I am starting this business to be my own boss (Alias: No one can tell me what to do!)-** ***Fact*****:** The business and your customers will be your boss and will, most likely, keep you occupied 60 or more hours each week. You will be beholden to employees, vendors, creditors and investors, all of who have a vested interest in your business.

- **I will incorporate and use other peoples' money. (Alias: Certainly you don't expect me to put all my personal assets at risk!)** ***Fact*****:** Start-up businesses rarely attract large amounts of "other people's money. " Even for the case of a corporation, your personal asset may be at risk if one of four events occurs; you sign a personal guarantee, you fail to make federal tax deposits in a timely fashion, you commit fraud or you are guilty of gross negligence.

Now that the obstacles involved in starting a business are perceived realistically, we now introduce you to another vital list – ***What You Can Do To Lower Your Start-up Risk.*** The following was taken from a 1995 Rockford Area Chamber of Commerce Community Awareness Program (CAP) project investigating what it takes to start a business. Savvy Entrepreneurs **Minimize Start-up Risk** by doing the following things.

- Get experience in management and in the type of business you plan to start.
- Plan ahead – a business plan is the road map for your business (see below).
- Make certain you have your family's blessing and support.
- Be prepared to become tired and discouraged and still persevere.
- Obtain facts to substantiate your insights and hunches before acting on them.
- Follow your strengths and interests.
- Do not be too proud to quit.

A Business Plan

All new businesses need a well thought-out and written plan to serve as a road map for the owner, especially during the first several years of operation.

The plan can be a path to potential profits for the owner who may require financing for the new venture. The plan can also provide a useful management tool for the owner. The odds of failure for the business will be reduced by adequate research and written planning before starting the business.

A properly developed business plan contains more than potential financing information. A written plan allows the businessperson to think through and explain his ideas and research to others. Once the business is established, the business plan provides a basis for management decisions and provides a measurement of progress necessary to evaluate potential future changes in operations. A good business plan takes time and effort to prepare, but it can spell the difference between the success and failure of a business. Since it is so important, there are a number of inexpensive guides available to assist in its preparation. These include specific guides by type of business available from the United State Small Business Administration (SBA). The nearest Small Business Administration Office is in Chicago (312/353-4528).

The Rock Valley College Small Business Development Center has available at their Rock Valley College office a working outline to use in preparing a business plan, and the Center also can provide information about classes available to prepare a business plan. Contact the Center at (815) 921-2081. The Internal Revenue Service (IRS) also has created a helpful guide to review prior to preparing your business plan.

A Well-prepared Business Plan Must Have the Following;

1. **Business Concept**-This is a summary of your business idea supported by research you have conducted.

2. **Product or Service**-This is a complete description of what you plan to produce or sell, including photographs and/or promotional literature to point out the uniqueness of your product.

3. **Market and Marketing Strategy**
   This should include a general description of your market as it presently exists and your specific plans to develop your product or service within that competitive marketplace. Some plans to consider are your competitors' strengths and weaknesses, how you plan to distribute, price and advertise your product, and your service and warranty policies for goods produced.

4. **Production Plan**- (if appropriate): You should provide all information as to how your product will be manufactured. This includes a description of sources and availability of the materials to be used, the method of production and units produced, and the type of labor required.

5. **Personnel** - This should provide insight into the organizational structure of the business. The education and employment background of key managerial personnel as well as the projected manpower needs for the first two to three years should be included.

6. **Financial Plan**
   A personal financial statement for all key investors is always required. If the business is a start-up, you should provide cash flow projections of income and expenses for three years. If the business is an established one, attach a balance sheet and income statement for the current period and for the past three years. In addition, three-year cash flow projections for income and expenses to show future business development should also be included. Be sure to state what financing assistance you are seeking, how you plan to use the funds, and how they will be repaid.

A more orderly outline and bibliography to guide you step-by-step in preparing a business plan is included as Appendix C. Questions about that outline should be directed to the City of Rockford Department of Community Development, Economic Development Division (815) 987-5600. Publication 583, "Starting A Business and Keeping Records" is available on-line at www.irs.gov/publications/p583/index.html or by the phone at (800) 829-3676, TDD (800) 829-4059.

Chapter 1- Legal Matters

Choosing an Appropriate Business Type

Sections

(a) Sole Proprietorship
(b) Partnership
(c) Limited Liability Company
(d) S-Corporation

Legal or financial advice should be followed in determining the most appropriate form of organization for your unique business. Even after start-up, you may wish to modify your business's legal structure due to changes in tax laws or your fluctuating need for capital. Also as your business grows, you may experience greater exposure to liability and, as a result, decide to change to another legal form. It is especially important to weigh all advantages and disadvantages of the various business forms so that you do not decide upon a business structure solely because of tax implications. A description of the main types of business organizations follows.

(a) Sole Proprietorship

Sole Proprietorship is generally the least expensive and simplest type of organization to form. In a sole proprietorship you and the business are the same entity. Therefore, you, as the sole proprietor are responsible for all the company's debts. However, since you own all the assets, you reap all the profits, on which you are required to pay taxes on your individual income tax return. The governmental regulations are less strict with sole proprietorship than with the other forms of business. However, being a sole owner and operator of a business has restrictions of its own.

Financial capital may be less accessible to the owner, and the responsibility of every decision rests on that single person. Also, since this person can be held responsible for debts incurred by the business, he or she could be required to sell personal property or items to pay off the debt. This type of business organization also suffers from a lack of continuity when the owner suffers a serious illness or death.

"Tax Guide for Small Business," IRS Publication 334, explains the tax treatment with sole proprietorships. The publication is available on-line at www.irs.gov/publications/p334/index.html or by phone at (800) 829-3676, TDD (800) 829-4059.

(b) Partnership

A partnership is an association of two or more persons, acting as co-owners of a business for profit. Each partner contributes some type of money, property, labor or skill. Types of partnerships include general and limited. A key difference is the limitation of liability for limited partnerships since limited partners are only liable for the amount of their equity investment. However, in Illinois, all partnerships must have at least one general partner.

A legal contract, called a Partnership Agreement, prepared by an attorney, is essential. The Agreement should state financial contributions and business responsibilities of each partner. Spell out management roles (including the authority each partner does or does not have to bind the other partners to financial obligations). An agreement spells out profit (and loss) distribution guidelines established for each partner, and provisions for the dissolution of the partnership through a reasonable buyout agreement. The business's lack of continuity occurring if a partner dies or leaves can be eased through careful insurance arrangement so that money to pay off the departing partner doesn't drain the business by coming from working capital. For specific tax information about partnerships, visit the IRS, website at www.irs.gov/publications/p541/index.html to view Publication 541, "Partnerships," or call the IRS at (800) 829-3676, TDD (800) 829-4059.

(c) Limited Liability Company (LLC)

A limited liability company (LLC) is a relatively new form of business organization created by statute in Illinois and is now permitted in all 50 states. It provides its owners with limited liability, flow-through tax treatment and operating flexibility by allowing participation in management of the business. Under Illinois statute, a minimum of one owner (member) can form a LLC by filing articles of organization with the Illinois Secretary of State and paying the required filing fee and annual renewals. Members have interests in a LLC just as partners have interests in partnership. LLCs do not issue shares of stock. Annual reports are required.

All members can manage the business or elect one or more managers to run the business. LLCs are required to adopt an Operating Agreement, which provides operation details as well as how the members relate to each other. Per Illinois statute, a LLC may carry on any lawful business except banking or insurance. Unlike a corporation, there is usually no continuity of life with a company organized as a LLC. Legal counsel and tax advice should be sought before setting up a LLC.

For written description and application for LLCs, contact the Secretary of State at:

Limited Liability Company Division
Room 328, Howlett Building
501 S. Second Street
Springfield, IL 62756
(217) 782-6961
TDD: (800) 782-0238
www.ilsos.net

(d) C-Corporations

Unlike a sole proprietorship, a corporation is legally a separate entity from the individuals who own and operate it. A Corporation is the most complex form of business organization with shareholders as owners with limited liability in regard to the corporation. The shareholders elect a board of directors that in turn elect the president who operates the business. The corporate limited liability, however, does not extend to officers who can be held personally liable for all unpaid federal taxes, including withholding taxes for employees. A major disadvantage of a C-corporation is that there is double taxation: first, on the corporation when it makes a profit and second, on the shareholders who receive dividends.

See IRS Publication 542 "Corporations." Available on-line at www.irs.gov/publications/p542/index.html or call the IRS publications line at (800) 829-3676, TDD (800) 829-4059. It is highly recommended that you consult with an attorney to discuss the advantages, disadvantages, regulations and requirements of C-corporations and S-corporations.

(e) S-Corporations

S-corporation shareholders benefit from the limited liability of a corporation and from the tax advantages of a partnership, and thus, avoid the double taxation of a C-corporation. To elect S-corporation status, a business can have no more than 75 shareholders and receive no more than 20% of its revenues from passive income. S-corporation shareholders cannot be nonresident aliens. All shareholders must consent to the S-corporation status. The Internal Revenue Service and/or an accountant should be consulted to review eligibility and desirability for S-corporation determination. S-corporation status can only be elected during the first 75 days of a business's fiscal year by filing IRS Form#2553. If an S-corporation election is filed late, the election is automatically effective for the following year.

For more information on S-corporation, see the instructions for Form 2553, "Election by a Small Business Corporation" http://www.irs.gov/pub/irs-pdf/f2553.pdf and Form 1120S, "U.S. Income Tax Return for an S-Corporation" http://www.irs.gov/pub/irs-pdf/f1120s.pdf from the IRS by calling (800) 829-3676, TDD (800) 829-4059.

Registering Your Business

Sections

- (a) Corporate Registration
- (b) Limited Partnership Registration
- (c) Sole Proprietor & Partnership Registration for Assumed Name
- (d) Illinois Department of Revenue Business Registration

(e) Acquisitions
(f) Franchise Purchase
(g) Obtaining a Federal Employer Identification Number

(a) Corporate Registration

Every corporation must register with the Illinois Secretary of State by filing Articles of Incorporation. Only corporations may and must use "Corporation", "Corp.", "Inc.", or "Incorporated" in their business titles. They also need to file annual reports with the Secretary of State. The State also tracks name availability for corporations only. After the corporation's Articles of Incorporation are registered with the Illinois Secretary of State's Office, they should be recorded at the Winnebago County Recorder's Office, 404 Elm Street, Rockford, IL 61101, and phone (815) 319-4325.

Any questions or requests for information can be answered through the Business Services Office of the Secretary of State:

Howlett Building
501 South Second Street
Springfield, IL 62756
(217) 782-7880 or (217) 782-6961
TDD: (217) 782-0238
www.ilsos.net (to download all necessary forms)

(b) Limited Partnership Registration

Since the passage of the Illinois Revised Limited Partnership Act of 1986, the Illinois Secretary of State requires the filing of limited partnership information. Contact the Secretary of State at the following address:

Limited Partnership Division
Howlett Building
501 South Second Street
Springfield, IL 62756
(217) 782-7880 or (217) 782-6961
TDD: (217) 782-0238
www.ilsos.net

(c) Sole Proprietor & Partnership Registration for Assumed Name

Sole Proprietors and partnerships need to file a registration with the Winnebago County Clerk if the business name is different than the owner(s)'s legal name. A business with the name Stuart Tomlinson does not need to file a form while Tomlinson's Trucking would need to file. The application, available at the Winnebago County Administration Building, room 104, should be completed and returned with a $5.00 fee to the County Clerk.

A copy of the application then must be published once a week for three consecutive weeks in a legal section of a county newspaper of your choice. After three weeks of

publication, your Certificate of Publication, which is received from the newspaper, needs to be returned to the County Clerk. At the time, your Certification of Ownership will be issued, and the business is then registered in Winnebago County and is able to open. To add or subtract an owner's name in an existing business, to report a business's change of address, or even to dissolve a business, follow the same application and publication procedure. (to add or remove a name, run a one time advertisement) There is a reduced application fee of $1.50, payable to the County Clerk's Office, for such revisions. Contact:

Winnebago County Clerk
Administration Building, Room 104
404 Elm Street
Rockford, IL 61101
(815) 319-4250

(d) Illinois Department of Revenue Business Registration

In Illinois, most businesses are required to register with the Department of Revenue. Some also require licensing (see licensing chapter). Form REG-1, "Illinois Business Registration," should be filed by all businesses buying or selling products wholesale or retail, manufacturers, and all other businesses planning to hire employees. The registration form may be obtained on-line at www.revenue.state.il.us or from the Illinois Department of Revenue local office at: (to obtain sales tax number as well)

200 South Wyman, 3rd Floor
Rockford, IL 61101
(815) 987-5210

Illinois Department of Revenue also has a **Forms Request Line** to provide forms by mail (800-356-6302) or a fax-on-demand request line (217-785-3400). The TDD number (hearing impaired only) for Illinois Department of Revenue is (800) 544-5304. Additional Business State tax forms and booklets (described in the business taxes chapter) are also available information, ask for the Business Registration Kit.

(e) Acquisitions

If acquiring an existing business, the new owner is required to file a "Notice of Sale/Purchase of Business Assets" (Form NUC-542-A) and obtain a Bulk Release of Transferee Liability from the Illinois Department of Revenue. If the new owner fails to file the required form, he or she may be required to pay any taxes, penalties, and interest owed to the State of Illinois by the former owner of the business. The form is available on-line at www.revenue.state.il.us. To obtain a form by mail or for additional information, contact the Illinois Department of Revenue at:

Bulk Sales Section
P.O. Box 641155
Chicago, IL 60664-1155
Telephone (312) 814-3063 / TDD: (800) 544-5304

(f) Franchise Purchase

Buying a franchise has become a popular way of starting a business. However, franchises do not provide a guarantee to business success. Beware! Closely examine all claims made. A Federal Trade Commission Rule requires written franchise information be provided potential franchisees as soon as any earnings claims are made or at least 10 business days before a buy agreement is signed. The franchiser's written statement must provide details of all earnings claims including the number and percentage of other buyers who have succeeded as the seller claims. Carefully check out the information in the written statements yourself or with the help of a lawyer or an accountant.

Illinois also regulates franchises through its Franchise Disclosure Act, which is administered by the Illinois Attorney General. Illinois law requires the franchiser with the Illinois Attorney General, providing complete information regarding the relationship between franchiser-franchisee, giving details about the contract, prior business experience of the franchiser and any other relevant information. Although the Attorney General's Office cannot give advice about franchises, the office can verify that the franchiser has met the terms of State registration. The Franchise Registration Division of the Illinois Attorney General's Office can be reached at (217) 782-4465 or TDD (217) 785-2771.

(g) Obtaining a Federal Employer Identification Number (FEIN)

A Federal Employer Identification Number (FEIN) is required of all partnerships, limited liability companies, C-corporations, and S-corporations for taxpayer identification. Sole Proprietors must also apply for a FEIN if they pay wages to one or more employees, or alcohol, tobacco or firearms tax returns. Otherwise, sole proprietors can use their Social Security number as their business identification taxpayer number. The State of Illinois accepts the FEIN issued by the Internal Revenue Service for Illinois tax forms. If you acquire an existing business through purchase, do not use the FEIN of the former owners. If you change from a sole proprietorship to a partnership or a corporation, you must request a new FEIN.

To apply for a FEIN, use Form SS-4, "Application for Employer Identification Number." The form may be obtained from the Internal Revenue Service, by calling (800) 829-3676, by visiting the local Internal Revenue Service office at 211 South Court Street (Federal Building), Rockford, IL 61101, or on the internet at http://www.irs.gov/pub/irs-pdf/fss4.pdf. Once the Form SS-4 is in your possession fill it out, and either mail it to the IRS office specified on the form or request the FEIN by calling the phone number noted on the form. It is important to request the FEIN previous to needing it for business tax deposits.

Chapter 2- Getting Licensed

Licensing Regulations

Sections

(a) Environmental Protection Agency
(b) Occupational Licensing
(c) Immigration Reform and Control Act
(d) Health Permits
(e) Security Alarm Registration

In order to operate in Rockford, many businesses require licenses and permits. Be sure to meet both the federal as well as local regulations. A beginning explanation of business licensing follows, but please use the contact offices identified and the State's First Stop Business Information Center (800-252-2923) for a more complete explanation.

(a) Environmental Protection

If your business will be manufacturing a product or will use potentially hazardous materials, you should contact the Illinois Environmental Protection Agency (IEPA) to check the regulations concerning any waste materials that will be discarded. The IEPA will be able to inform you if the site location is considered satisfactory for the pollution caused by the manufacture of your product. Your firm, if it meets the IEPA's standards, will be issued a permit.

All states must enforce federal standards for various air and water pollutants such as sulfur dioxide, carbon monoxide, ozone, hydrocarbons and dust. For more information on Illinois standards contact:

Illinois Environmental Protection Agency
Office of Small Business
2200 Churchill Road
P.O. Box 19276
Springfield, IL 62794
(217) 524-2743
Help Line (888) 372-1996)

You can obtain additional information from the Regional Environmental Protection Agency Offices at:

4302 North Main Street
Rockford, IL 61103
(815) 987-7760

(b) Occupational Licensing

Members of certain occupations require to be licensed before they conduct their activities. Both the State of Illinois and the City of Rockford issue licenses; if the State licenses and occupation that the City does not must be obtained from the State. The following are the departments responsible and a partial listing of licenses issued by the State and the City.

Occupational licensing by the City of Rockford

The City of Rockford- Finance Office/Revenue Division handles Licenses for the Following Businesses.

Awnings
Advertising – outdoors
Auctioning
Billiard Tables – not coin operated
Bowling Alleys
Building Demolition
Christmas Trees
Cigars, Cigarettes, Tobacco
Coin-operated
Vending/Amusement Machines
Coin-operated Laundry
Dance Hall
Gas Station
Going Out of Business
Horse-drawn Carriages
Junk Yards
Mall Vending
Massage Establishments
Outdoors Vehicle Sales
Pawnbroker
Petroleum Products
Roller Skating Rink
Scavenger Trucks
Second Hand Stores
Security Alarms
Street Alarms
Street Excavator
Taxicabs
Theaters
Tow Trucks
Weapons- sale of

Feel free to contact the office for application forms and additional information.

Finance Office
City Hall 1st Floor Payment Center
425 East State Street
Rockford, IL 61104
(815) 987-5516

Licensed by the Legal Department:
Liquor Licenses

Contact: Legal Department
7th Floor, City Hall
425 East State Street
Rockford, IL 61104
(815) 987-5540

Licensed by the Zoning Division
Home-Based-Businesses
Contact: Zoning Section, Permit Center
1st Floor ,City Hall
425 East State Street
Rockford, IL 61104
(815) 987-5585

Occupational licensing by the State of Illinois

(a) The **Department of Financial & Professional Regulations** provides licenses for the following businesses.

Accountant
Acupuncturist
Advance practice
APN CE sponsor
Appraiser
Alarm Contractor
Armed Proprietor security Force
Architect
Associate MFT
Athletic Trainer
Auction/auctioneer
Audiologist
Barber
Chiropractor
Collection Agency
Controlled Substance
Cosmetologist
Counselor
Dentist/Dental Hygienists
Detection of Deception Examiner
Detective/Security Guard
Design Firm Professional Registration
Dietitian
Drug Distributor
Electrologist
Engineer Professional/structural
Environmental Health Practitioner
Esthetician
Euthanasia
Fire arm
Funeral Director
Geologist
Home Inspector
Home Medical Equipment
Interior Designer
Land Surveyor
Landscape Architect
Locksmith
Mail order Ophthalmic Provider
Massage therapists
Marriage and Family Therapist
Medical Nutrition Counselor
Nail Technician Naparath
Nurse
Nursing Home Administrator
Occupational Therapist
Optometrist
Osteopath
Orthotist
Perfusionist
Pedorthist
Pharmacist
Physical Therapist
Physician
Physician's Assistant
Private Security Contractor
Podiatrist
Psychiatrist
Psychologist
Real Estate
Respiratory Therapist
Roofing Contractor
Security Contractor
Shorthand Reporter
Social Worker
Speech Language Pathologist
Surgical Technologist
Time share
Trainer Cont. Ed. Sponsor
Veterinarian
Veterinarian's Technician

Contact the Division of Professional Registration at:
320 West Washington St., 3rd Floor
Springfield, IL 62786
(217) 785-0800
TDD: (217) 524-6735 or (217) 785 0800 Fax: (217) 782-7645
www.idfpr.com

(b) Licensed by the Securities Department of the Secretary, Illinois State Securities Dealers, Salespersons, Investment Advisors

Springfield Office

Secretary of State
Department of Securities
Jefferson Terrace Suite 300A
300 West Jefferson Street
Springfield, IL 62702
(217) 782-2256
Fax: (217) 782-8876

Chicago Office
69 W Washington Street
Suite 1220
Chicago Illinois 60602
Phone (312) 793 –3384
Fax: (312) 793 1202

Webpage: www.cyberdriveillinois.com/departments/securities/home.html

(b) The Department of Revenue licenses the following businesses

- Cigarette and Cigarette Use Tax – distributors
- Coin-operated Amusement Device Tax
- Gas Revenue Tax
- Hotel Operators' Occupation Tax
- Liquor Tax
- Motor Fuel Tax – distributors, suppliers, bulk users and blenders
- Motor Fuel Use Tax
- Public Utilities (electric) Tax
- Telecommunications Tax

Contact the Illinois Department of Revenue Miscellaneous Taxes Office at:

101 West Jefferson Street
P.O. Box 19030
Springfield, IL 62794-9030
(217) 782-6045 or (217) 782-3336
(800) 732-8866

100 West Randolph
Suite C-300
Chicago, IL 60601-3274
(800) 732-8866 or
TDD# (312) 814-5270

TDD: (800) 544-5304 (Hearing impaired only)

In addition, many businesses are required to obtain permits or register with other State agencies. An example of this would be day-care services, which are licensed by the Department of Children and Family Services. Another example involves plumbing businesses, which must register with the Department of Public Health. The advice of an attorney may be important asset to sort through various state and federal regulations governing specific types of business operations.

Also, by dialing (800) 252-2923 (TDD: 800-785-6055), one can obtain information on specific State business regulations and permits from a business specialist at the State of Illinois First Stop Business Information Center.

The Center, operated by the Illinois Department of Commerce and Economic Opportunities (DCEO), maintains up-to-date information on virtually every business license, permit, certificate, and registration required by the State of Illinois. First Stop business information from DCEO is also available on the World Wide Web at www.commerce.state.il.us. Either on-line or by the phone call, one can request a handbook titled "Starting a Business in Illinois" from the First Stop Center.

DCEO, in cooperation with the United State Small Business Administration and local community colleges, also supports the Small Business Development Center (SBDC) Network in Illinois. Rock Valley College's SBDC offers 12 week- Self-Employment Training Classes throughout the year (see p. 47), where classroom instruction is available on developing a finished business plan. Also, in cooperation with the local Service Corps of Retired Executives (SCORE) Chapter, the SBDC offers many "how –to" workshops helpful to new and aspiring entrepreneurs. Contact the Rock Valley College SBDC at:

EIGER Lab
605 Fulton Avenue
Rockford, IL 61103
(815) 921-2081
Fax: (815) 921-2089

For information about locating other Illinois Small Business Development Centers or general information about available business assistance programs, one may also contact DCEO's First Stop Business Information Center at (312) 353-4528 (TDD: 312-886-5108) or DCEO's web site www.commerce.state.il.us. Or visit here for the Illinois Entrepreneurship Network Information
www.illinoisbiz.biz/dceo/Bureaus/Entrepreneurship+and+Small+Business/IEN+Business+Information+Center/

(c) Immigration Reform and Control Act

Since 1986, Immigration Reform and Control Act or the federal law requires every employer to verify the true identity of a job applicant hired as an employee and the employees' authority to work in the United States. Employers must complete Form I-9, which is available on-line at www.uscis.gov/graphics/exec/whereis/query.asp

Further information about the form is available at the:

U.S. Citizenship and Immigration Services
10 W. Jackson Blvd.
Chicago, IL 60604
(312) 385-1500
TDD: (800) 767-1833
For hearing-impaired individuals, call 312-385-1813
http://www.uscis.gov/graphics/index.htm

(d) Health Problems

City and County ordinances apply to all food services, food processing or retail food establishments. Examples of businesses that are subject to inspection and licensing by the Winnebago County Health Department include restaurants, bars, nightclubs, bakeries, meat markets, vending facilities and lunchrooms.

Inspections are made by Health Department personnel to examine items dealing with food care, food storage, food preparation and display, and cleanliness regulations for food service personnel, equipment and utensils. They may also examine cleaning and sanitation methods used on the premises where food is stored, prepared or served.

For further information on health regulations regarding food establishments, contact the Winnebago County Health Department at (815) 720-4000, Division of Environmental Health.

Address:
401 Division Street
Rockford IL 61104
Fax: (815) 720-4201
www.wchd.org

(e) Security Alarm Registration

Effective January 1, 1997, it is necessary to register monitored security systems with the City of Rockford Revenue Office at a cost of $10 per protected premises. Permits will be renewed annually at no charge. Fines will be assessed only to those users who fail to register their system or those generating more than four false alarms during a twelve-month period.

Registering alarm system and purchasing the permit does not relieve individuals of their responsibility to properly maintain and use alarm system. The permit does provide four no-fine false alarms in a rolling twelve-month period. Five or more false alarms within a rolling 12-month period result in the following fines:

From 5 to 8 false alarms = $100 per false alarm
For false alarms 9 & 10 = $200 per false alarm
More than 10 false alarms = $300 per false alarm

For additional information regarding the False Alarm Ordinance,
Contact (815) 987-8077.

Chapter 3- Ideal Location

Location Issues

Sections
- (a) Zoning
- (b) Home Based Businesses
- (c) Choosing an Ideal Location
- (d) Leases
- (e) Building? Get Certificates and Permits
- (f) Business Location: Where to Find Help

When choosing a location for your business, many regulations and possibilities should be considered. City zoning and your type of business will determine where you can locate. Possibilities include the owner's home, space that is rented or owned, or a new building that is constructed specifically for the business. Each of these possibilities has certain requirements that must be followed for the business to open legally.

(a) Zoning

The City of Rockford has a zoning ordinance. This ordinance and its regulations control where a business can locate and the kind of space it can occupy. The various zoning districts are specific and complex. Before agreeing to a location for your business, contact the Zoning Section of the Economic Development Division to determine if your use of the space is permitted by City ordinance. Don't assume that a previous business use at a certain location assures its continuation under a new owner. If you need to apply for a zoning change or a permit for a special use, allow at least two months time from the application due date for the legal process through the Zoning Board of Appeals, City Council committee, and final vote by the Rockford City Council. During that time, it is also advisable to contact the City Building Department at the 1st Floor Permit Center to begin the review process for a building permit, if required by your project (see p.21).

Call or stop by the Department of Community Development for zoning information on locations within incorporated area of the City of Rockford. For locations outside Rockford, contact the Zoning Department of Winnebago County.

Zoning Section
City Hall, 1st Floor Permit Center
425 East State Street
Rockford, IL 61104
(815) 987-5585

Zoning Department
Winnebago County Administrative Offices
404 Elm Street, Room 301
Rockford, IL 61101
(815) 319-4375

(b) Home-Based Businesses

If you are considering operating a business from your home, make sure you are in compliance with the Home Occupation Ordinance of the City of Rockford. The ordinance requires a Home Occupation Permit if customer traffic to the home is necessary for the operation of the business. Any business with no customer traffic to the home merely has to observe the requirements of the Home Occupation Code. No employees other than immediate family members are allowed. The Zoning, Sign and Home Occupation Ordinances prohibit outside advertising for business purposes in a residential area. Any other media means of advertising is permitted, however.

To receive a Home Occupation Permit, an application must be completed and returned to the Department of Community Development, along with the required fee. The application will be reviewed by the Zoning Section, and approved if it is in accordance with the regulations. Any questions about the ordinance can be directed to the Zoning Section of the Economic Development Division, first floor of City Hall, Permit Center.

Zoning Section
City Hall, 1st Floor Permit Center
425 East State Street
Rockford, IL 61104
(815) 987-5585

(c) Choosing an Ideal Location

Even after following all the legal regulations, you may be surprised to discover that you actually do have choices to make when deciding upon your location. The location you choose for your business can be very important. It is important to find a site that will best cater to your business's needs and its customers. In some instances, a business may be forced to close because its location did not attract sufficient or appropriate customers.

Retail business usually needs high visibility and easy accessibility to draw the "walk-in" customer into the store. On the other hand, a firm offering a service, such as counseling, can locate in an office building, Such a building offers a professional setting and nearby parking facilities for both workers and customers.

Among the following site evaluation considerations, which do you believe are relevant to your firm?

- ✓ Compatibility with nearby businesses
- ✓ Cost or rent
- ✓ Highway, rail or air access
- ✓ Availability of mass transit
- ✓ Image
- ✓ Easy access for customer traffic
- ✓ Loading space
- ✓ Neighborhood characteristics – population and income figures
- ✓ Parking – employees and customers
- ✓ Visibility

Consider very carefully what the needs of your business are. With this knowledge, you will want to choose an appropriate site that gives your business an edge.

If you decide that a high traffic location is an important concern for your business, you may want to contact the Rockford Department of Public Works (815) 987-5570 and ask for the city traffic count maps. They show the amount of traffic on major Rockford streets. However, although a busy road may be a good location, consider whether the driver from the other direction will be willing to cross three lanes of traffic traveling at 45 mph to get to your business.

Another way to gather clues about what type of location is best for your business is to look around and check out your competition. What are the advantages of their sites that help them do so well? What are the disadvantages that pull them down? Armed with this research, you need to find a site that offers the same or similar advantages and presents none of the drawbacks.

(d) Leases

Leases are typically the first large contractual commitment of a new venture. Never take the terms of a commercial/industrial lease for granted. You should know exactly how much space you will be renting, who will be responsible for certain operating expenses like water, heat and electricity, and who will be responsible for repairs to the building. Be aware if a quoted cost per square foot is gross or net. "Gross" figures will generally include taxes and operating expenses while "net" means taxes, operating expenses and building repairs are paid by the tenants in the building, ask about potential common-area maintenance charges in addition to the base rental cost. Is a price escalator built into the lease? Will you be allowed to sublease should you desire to leave? Or, will you be allowed to rent additional adjacent space if you grow?

An attorney can help you understand the terms of a proposed lease. Never sign a "preliminary" agreement assuming that you can fill in the details later. Likewise, if you are seeking financing for your new venture, include an unsigned copy of the proposed lease with your financing request. Signing a lease agreement without having all financing in place will weaken a loan request.

(e) Building? Get Certifications and Permits

If you have remodeling or new construction plans for your business facility, you will, most likely need construction documents (drawings and specifications) prepared by an Illinois licensed design professional (Structural Engineer, Professional Engineer, and/or Architect). In short, the City of Rockford Building Department will require construction documents prepared by a design professional for all projects that include:

- any and all remodeling that involves life-safety issues or any revision to the structural aspects of a building and/or
- All new construction, including additions.

An answers to common questions handout including "Do I Need A Building Permit?" … Do I Need a Design Professional? … What Do I Do Next?" is included in Appendix E. Once a determination is made that a Building Permit is required, stop by the City Hall 1st Floor Permit Center for the "Building Department/Fire Department Construction Document Content Check List."

The City Building Department, the Zoning Section of the Economic Development Division, and the Public Works Department reviews the design professional's plans. Allow a minimum of three to four weeks for all plan reviews. If the plans are in compliance with city codes and ordinances, a building permit will be issued and work may begin. However if the construction document submittals indicate code or ordinance violations, review comments are sent back to the design professional, who must respond satisfactorily to all concerns before a building permit is issued. Note that permits for mechanical, plumbing, fire suppression, and electrical work are issued separately to only licensed/registered contractors following issuance of a building permit.

Requesting Building Department periodic inspections during construction is the next step toward obtaining a certificate of occupancy. Electrical, plumbing mechanical and structural building inspectors must approve the work done. After all final inspection approvals, a Certificate of Occupancy can be issued and the business is permitted to open. If there are minor problems with the work, the Building Department *may* issue a temporary Certificate of occupancy (usually for 30 days), and the problems must be corrected within that time.

For further information regarding building projects within the City of Rockford, contact the:

Building Department	Public Works Department
City Hall, 1st Floor Permit Center	City Hall, 6th Floor
425 East State Street	425 East State Street
Rockford, IL 61104	Rockford, IL 61104
(815) 987-5550	(815) 987-5570

(f) Business Location: Where to find Help

The Rockford Area Economic Development Council and the City of Rockford Economic Development Division are willing and able to assist new or expanding companies to locate vacant facilities or available land that meets their needs. Contact the RAEDC (815-987-8118) for their computer database of available industrial sites. The City of Rockford Planning Division of the Department of Community Development had prepared a Strategic Land Use Plan that also provides detailed information about vacant or underutilized parcels for future industrial development. Contact the Planning Division at (815) 987-5600. The Economic Development Division of Rockford's Economic Development Division (815-987-5600) can also provide location assistance information, especially for smaller commercial or industrial businesses.

The City of Rockford has two special programs which offers various locations incentives to businesses: There are 21 **Tax Increment Financing (TIF) Districts** in commercial areas and the Rockford **Enterprise Zone**, all of which have been established by the City.

TIF DISTRICTS

Tax Incremental Financing allows the City to use anticipated increases in real estate tax revenues and, in the TIF districts, sales tax revenues generated from publicly encouraged private development to businesses locating in Tax Increment Financing (TIF) Districts can reduce costs. The City of Rockford can customize an approach that fits your needs, subject to City Council approval.

Tax Incremental Financing

The possible ways to cut costs in Tax Incremental Financing (TIF) Districts include:

- ✓ recapture of increased real estate taxes;
- ✓ low cost financing for construction and/or rehabilitation (depending upon availability of funding);
- ✓ partial or total land writedowns;
- ✓ public improvements that directly help the business or developer;
- ✓ parking; and
- ✓ City condemnation powers in TIF Districts to assist in property acquisition.

In addition, some of the City's Tax Increment Financing Districts have in place a commercial rehabilitation rebate program. These City programs can provide a partial rebate to the commercial building owners who undertake façade rehabilitation approved beforehand by City design review committees.

What is Tax Incremental Financing (TIF)?

Tax incremental financing is an important and useful tool in attracting and retaining businesses in order to accomplish the city's economic development goals and objectives. The fundamental principle which makes public financing viable is that it is designed to encourage development that would not otherwise occur, in the blighted areas and neighborhoods.

How does TIF work?

When a district is created, the assessed property values in that TIF district are held at the current level for all taxing bodies for 23 years. As redevelopment starts, and property values rise, the city captures the increased property taxes to pay for any public improvements or to help finance the redevelopment of projects. Other taxing bodies can only tax the initial property values set when the TIF district was formed.

Does TIF Come with money?

No! A TIF district gets its money from the increased property taxes generated by private redevelopment projects. Whereas a TIF district does not create development, it does help by decreasing business' development costs. All TIF funds must be used in a TIF district.

Find out how you can participate in Rockford's 21 existing TIF districts (with 9 more coming!) by calling the City's Economic Development Division at (815) 987-5600.

Enterprise Zone

Besides the Tax Increment Financing (TIF) the City of Rockford Offers City and state tax-saving incentives to businesses which choose to locate within its **Enterprise Zone** that measures approximately 6.4 square mile. This zone was initially located in the southwest quadrant of the city but has since expanded eastward along the Harrison Avenue industrial corridor to just east of 20th Street. Major Enterprise Zone tax-saving incentives include:

1. Sale Tax Exemption

Building materials purchased from City retailers for incorporation into real property within the Enterprise zone can be sales tax exempt if a signed purchaser's statement is provided to the Rockford retailer.

2. Property Tax Abatements

The City of Rockford and other taxing authorities may abate a portion of taxes on real property located in the Enterprise Zone if the Property has had new improvements, constructions or renovation and/or has created and retained jobs as a result of the building improvements. However abatements cannot be granted in portions of the Enterprise Zone that overlap with a TIF District.

3. Investment Tax Credit

A business is entitled to 0.5% state income tax credit (in addition to the existing 0.5% statewide credit) for qualified investments in the Enterprise Zone. Qualified investments include building, structural components of building, and depreciable assets as defined by the IR code.

4. Jobs Tax Credit

Businesses located in the Enterprise Zone are allowed a credit against state income tax in the amount of $500 per "eligible" employee hired to work in the Zone during the taxable year. To be eligible during one year's time, the employer must hire a minimum of 5 employees, and the employees, before hire, must be certified as dislocated workers or economically disadvantaged.

A specific map of the Enterprise Zone boundaries is available at the City of Rockford Department of Community Development. Please contact the City of Rockford for specific details about Enterprise Zone and Tax Incremental Financing at the following address.

City of Rockford,
Division of Economic Development
City Hall, 2nd Floor,
Rockford, IL 61104
Telephone: (815)-987-5600

Chapter 4- Handling Taxes

Handling Business Taxes

Taxes are an important concern in any business undertaking. To avoid penalties and interest charges, tax payments must be made and the required returns filed when due. Any new business must obtain proper identification numbers in order to report taxes (see Federal Employer Identification Number (FEIN explanation on page 11).A very general overview of business taxes will follow in this chapter. However, this short tax explanation is not meant to replace an accountant's expertise, which business owners should rely on to apply complex tax laws to their specific businesses.

If you have not already done so, it would be an excellent time to contact both the Internal Revenue Service and the Illinois Department of Revenue for certain important business tax booklets. Having their publications in front of you will fill in the details of the brief business tax explanations that follow.

Contact the Internal Revenue Service at (800) 829-3676 (TDD: 800-829-4059), identify your type of business organization, and request the following publications:

- "Your Business Tax Kit" (YBTK)
- "A Tax Guide for Small Business" (Publication 334)
- "Employer's Tax Guide" (Circular E)

You can also download many IRS publications on-line at www.irs.gov/forms or you can obtain a free tax kit by writing to:

Internal Revenue Service
Forms Distribution Center
P.O. Box 8902
Bloomington, IL 61702-8902

To register with the State of Illinois, contact one of Illinois Department of Revenue Offices and ask for an Illinois Department of Revenue Business Registration Kit for your business type. Among other important forms and booklets, this will contain Publication IL-700. "Illinois Withholding Tax Guide and Tables." Offices of the Illinois Department of Revenue are located at 200 South Wyman, 3rd Floor, Rockford, IL 61101 (phone 815-987-5210) and 101 West Jefferson Street, P.O. Box 19030, Springfield, IL 62794-9030 (phone 800-732-8866).

Illinois businesses are generally subject to four types of taxes: Payroll, Sales, Property and Income. A general overview of business taxes (as of publication date) is presented in this section. Business taxes (including forms, requirements, rates, etc.) are subject to change. The appropriate tax agencies or a tax advisor should be consulted for detailed, up-to-date information. This section is intended to provide only an overview of basic tax topics relevant to operating a business in Rockford, Illinois.

(a) Payroll Taxes

When a business pays a salary or wages to even one employee, it becomes subject to payroll taxes. You will find, as an employer, that you have been appointed, as an agent of the government, to collect income and FICA (Social Security) taxes from your employees. An employer is responsible both for the taxes withheld from an employee (for example FICA, federal unemployment and Illinois unemployment taxes). Payroll taxes must be deposited by dates that vary according to the type and amount of the taxes that are owed.

A Federal Employer Identification Number (FEIM) is used in reporting all federal taxes (payroll and income taxes); it may be obtained by completing federal Form SS-4 (Application for Employer Identification Number). As stated on page 11, this form can be obtained from the Internal Revenue Service (IRS).

A federal tax deposit coupon book will be sent automatically to your company when you file Form SS-4. The coupon book will have your company's FEIN already preprinted on each coupon. A reorder coupon book form is also included. These coupons can be used for deposits of all types of federal taxes. On each coupon, you must indicate, by checking the applicable box, the kind of tax being deposited and the calendar quarter to which payroll tax deposits are to be applied. A penalty may be imposed for failure to make federal tax deposits on time directly to an authorized government depository bank.

Before arbitrarily deciding that you can avoid payroll taxes by classifying your workers, as independent contractors, consult with your attorney and/or tax accountant for worker classification rules. Checking first can avoid a costly situation where the IRS later determines that a company is really controlling its laborers and treating them as employees.

(b) Federal Insurance Contributions Act (FICA) or Social Security & Medicare Taxes

FICA has two components: (1) the Social Security portion, more correctly named the Old-Age Survivors and Disability Insurance (OASDI), and (2) the Medicare (hospital insurance) portion. The tax rate for OSADI is 12.4% (in 2006) with a maximum taxable wage base of $94,200. Medicare tax rate is 2.9 % on unlimited earnings amounts.

The OASDI and Medicare employee tax withholdings (half of each) must be matched by an employer contribution. Federal Form 941 (Employers Quarterly Federal Tax Return) and W-2 (Wage and Tax Statement) require employers to separately report the withholdings for OASDI and Medicare.

If you're a wage or salaried employee, you pay only half the FICA bill (6.2 percent for Social Security + 1.45 percent for Medicare), and the tax is automatically withheld. Your employer contributes the other half. For most people that means 7.65 percent of their paycheck is withheld and their company pays another 7.65 percent on their behalf. If you're self-employed, however, you're expected to pay both the employee and the employer share of FICA. You are, however, permitted to deduct half of this self-employment tax as a business expense.

(c) Federal Income Tax Withholding

Withholding tables are available from which to determine the amount of income taxes withheld based on the employee's compensation for each pay period and the number of exemptions claimed. The withholding tax tables are contained in the Employer's Tax Guide (Circular E) which is published annually (see ordering information at the beginning of this chapter).

Upon hire, all employees of the business should complete Form W-4 (Employee's Withholding Allowance Certificate) so that the business can withhold the correct amount of Federal income tax from the employee's pay. Form W-4 provides the employee's Social Security number and the number withholding exemptions the employee is claiming.

(d) Federal Depository Payments of Withheld Income and FICA Taxes

The withheld federal income tax, withheld employee FICA tax (both OASDI and Medicare portions), and employer's FICA tax (both OASDI and Medicare portions) are lumped together and paid at the same time. Deposits should be made to an authorized financial institution or a Federal Revenue bank accompanied by a properly completed federal tax deposit coupon. Normally, new employers are monthly depositors for the first calendar year of their business. The IRS may adjust the frequency of the deposits to quarterly or semi-weekly depending on the business's payroll size and tax obligations. Your accountant can provide more detailed guidance in this area.

(e) Illinois Income Tax Withholding

As an Illinois employer, you are responsible for withholding a portion of an employee's gross compensation to cover his or her Illinois income tax liability. Withholding occurs at the time wages are paid. Form IL-941 (Illinois Withholding Tax Return) is filed quarterly to report withholdings and to pay any balance due.

Upon hire employees of the business should complete Form IL W-4 (Employee's Illinois Withholding Allowance Certificate) so that the business can withhold the correct amount of Illinois income tax from the employee's pay. The "Illinois Withholding Tax Guide and Tables" available from the Illinois Department of Revenue, contains up-to-date withholding tables. Consult with an accountant for your business's withholding tax schedule based upon the size of your payroll.

(f) Federal Unemployment Tax Act (FUTA)

The Federal Unemployment Tax Act (FUTA), authorizes the Internal Revenue Service to collect a federal employer tax used to fund state workforce agencies. Employers pay this tax annually by filing IRS Form 940. FUTA covers the costs of administering the Unemployment Insurance and Job Service programs in all states. In addition, FUTA pays one-half of the cost of extended unemployment benefits (during periods of high unemployment) and provides for a fund from which states may borrow, if necessary, to pay benefits. On the other hand, The State Unemployment Tax, paid to state workforce agencies, is used solely for the payment of benefits to eligible unemployed workers.

With relatively few exceptions, all business with employees must pay both federal and state unemployment taxes. Only the employer pays the tax; it is not deducted from the employees' wages. For 2000, annual wages up to $7,000 per employee are subject to this tax at an effective rate of 0.8% or $56.00 per employee per year. Quarterly federal unemployment tax deposits should be made at the end of any quarter where the accumulated federal unemployment tax due exceeds $100. These deposits should be made at the bank with a coupon from the Federal Tax Deposit Coupon book. Be sure to indicate the type of tax (940) and the quarter for which payment is being made. The FUTA tax must be deposited by the last day of the first month after calendar quarter ends.

See details by visiting: http://workforcesecurity.doleta.gov/unemploy/uitaxtopic.asp

If your payroll is not large, quarterly returns are not required. Instead, a report, Form 940 (Employer's Annual Federal Unemployment [FUTA] Tax Return), must be filed for the whole year and is due by January 31 of the next year. Any balance of tax due for the year must be paid in January (using a deposit coupon), or included with the 940 form if the total due is less than $100. Contact the IRS at (800) 829-1040 for further information or at (800) 829-3676 to obtain the forms. Forms and instructions are also available on-line at www.ides.state.il.us.

(g) Illinois Unemployment Taxes

Liability for payment of unemployment insurance to the Illinois Department of Employment Security is determined by the employment status of your business. Currently, your business will need to make contribution if it meets one of the following conditions. Your business employs one or more people for any combination of time adding to 20 calendar weeks; and if during one calendar quarter $1,500 in total wages are paid to employees, or if in entering business you purchase one that already makes payments under the Unemployment Insurance Act, your business will need to make contributions.

Contact the Illinois Department of Employment Security (see address below) to receive Form U1-1, Report to Determine Liability. Once completed, the report should be returned to the Unemployment Insurance Revenue Division of the Department of Employment Security. An account number will be assigned if your business is found to be liable, and the appropriate reporting forms (Illinois Form U1-3/40) will be mailed to you. The quarterly reports and tax payments based on the liability incurred in the previous calendar quarter, must be filed by the last day of the next month. Forms are also available on-line at www.idea.state.il.us.

The rates that apply to businesses differ. In 2000, new, first-time employers not in special categories normally pay a rate of 4.2% of the employee's gross salary up to $11,000. There are specific rates for businesses in the fields of construction, mining, and agriculture. All rates are subject to change yearly and should be checked with the Illinois Department of Employment Security. For further information and to receive a State Unemployment Insurance Employer Start-up Kit, contact:

Department of Employment Security
401 South State, 4 North
Chicago, IL 60605
(312) 793-4880 or (800) 247-4984 (within Illinois only)
TDD: (312) 793-9350

Read more on the State Unemployment Insurance Law Handbook here:
http://www.ides.state.il.us/info/pubs/uiact.pdf

(h) Workers' Compensation

In addition to business taxes explained above, Illinois employers with employees are also responsible for paying Workers' Compensation. As an employer you must provide insurance that will cover all accidental deaths or injuries and diseases contracted, due to employment, for both permanent and temporary employees. This insurance, required by the Workers' Compensation and Workers' Occupational Disease Acts, provides for and covers all hospitalization and medical treatment, physical rehabilitation, occupational retraining, and costs for all degrees of disability and death benefits.

This insurance is available from private insurance agents and companies. The yearly cost varies depending on the risk level of the jobs and the number of employees covered. It is possible for these private insurance companies to refuse to cover your business if they consider the risk too great. Since this insurance is required of all employers, the Assigned Risk Pool in Springfield will insure the firm for rates that are approximately 20% higher than those of private companies. To obtain information on Assigned Risk coverage, call the National Council on Compensation Insurance (NCCI) customer service on (800) 622-4206.

For further information on Workers' Compensation, please contact;

Illinois Industrial Commission
100 West Randolph, #8-200
Chicago, IL 60601
(312) 814-6611/TDD: (312) 814-2959
www.state.il.us/agency/iic

Illinois Industrial Commission
200 S. Wyman St.
Rockford, IL 61101
(815) 987-7292

(i) Sales Tax (and use Tax)

Sales taxes are levied by state and local authorities and apply to businesses that sell to final consumers. Even if sales to final consumers are only a small percentage of total sales, the business owner must collect and report taxes on applicable sales.
With a limited number of exceptions, every business that sells tangible personal property, such as merchandise, to customers must obtain a sales tax number from the Illinois Department of Revenue. This is done when the new business is registered with the Department of Revenue (Form NUC-10. If your business is involved in retail sales or in providing certain services, you are required to collect Illinois sales tax on all sales or rentals of tangible personal property (not real estate). The tax is passed on to the purchaser.

In Illinois, the sales tax (also called the retailer's occupation tax) is imposed upon the gross receipts of the retailer at 6.25% together with one-cent jail tax. Qualifying food, drug, and medical appliances are only taxed an additional 1% statewide. Collection of sales tax, along with administration, enforcement and distribution of moneys collected is the responsibility of the Illinois Department of Revenue.

If you are a retailer, supplier, or service person subject to sales and use tax, you must file returns with the Illinois Department of Revenue. Generally, for most payers an Illinois Sales Tax Return (Form ST-1), along with taxes due, must filed be monthly. For information on sales tax amounts, filing procedures, due dates, exemptions on sales taxes, or other questions, contact the Illinois Department of Revenue at (217) 782-7897 or (800) 732-8866. A useful publication which one may request from the Department of Revenue is the "Illinois Retailer's Tax Booklet" (ST-19). Answers to frequently asked questions are noted on the Department's website www.revenue.state.il.us.

Businesses purchasing materials for resale should obtain an application for a State of Illinois sales tax resale number (Form NUC-1) from the Illinois Department of Revenue, 200 South Wyman, Third Floor, Rockford, IL 61101, phone (815) 987-5210. The resale number shows the seller that the State has authorized your business to resell the appropriate merchandise, so sales tax does not have to be collected on it until you resell it later and collect the tax.

Use tax is intended to tax the use of all tangible personal property and must be paid directly to the Illinois Department of Revenue whenever the tax was not paid to the seller. Use tax applies to items that were exempt from sales tax when purchased (such as items bought for resale) that you end up using instead of reselling. In Illinois, the tax is imposed on the use of tangible personal property in the State that is either purchased at retail outside the State or acquired in connection with the purchase of a service.

(j) Redevelopment Fund (Metro) Tax

Restaurants, package liquor stores and lounges/bars are responsible for collecting a 1 percent Redevelopment Fund (Metro) Tax in addition to the usual 6.25% sales tax if they are operating within the City of Rockford. Contact the City of Rockford Finance Department - phone 815-967-6931 for further information about the 1% Redevelopment Fund (Metro) Tax.

(k) Tourism (Hotel/Motel) Tax

Besides the 6.25% sales tax and 1% Redevelopment Fund (Metro) Tax, new hotels and motels in Rockford are also responsible for collecting a 4% Tourism Tax. Contact the City of Rockford Finance Department (phone 815-967-6931) for further information.

(l) Property Taxes

If a business owns real estate, it must pay real estate taxes. If a business leases its premises, its lease might call for payment of real estate taxes, or the amount of any increase in real estate taxes as additional rent. Property taxes are paid to the Winnebago County Treasurer's Office in two installments (generally June and September) by all for-profit businesses owning real estate. The County Tax Collector mails a property tax bill to the owner of record for the property. Real property in Winnebago County is assessed at approximately 33.33% of its fair market value (excluding farmland and farm-related buildings), and a multiplier may be applied to equalize assessments among the various townships. The total tax rate includes assessments for all the taxing districts in the County, and the County Supervisor of Assessments determines the total annual rate.

(m) Business Income Taxes

Both the federal government and the State of Illinois collect taxes based on business income. Income taxes levied on a business depend on the form in which the business is organized. Generally, a sole proprietorship or a member of a partnership will report the net income from the business on the owner's individual income tax return. A sole proprietorship reports the various items of income and expense directly on the business owner's individual tax return (typically Schedule C of IRS Form 1040). A partnership files a information return from which the taxable amounts are reported by each partner on his/her individual return. S-Corporations also file a separate information return, and like a partnership, pass through income to shareholders. The income as reported is taxed at individual rates that vary with the amount of income.

Regular C-Corporations pay taxes based on the taxable income of the corporation. Dividends paid to shareholders out of the C-Corporation's earnings are taxed again to the shareholders when received. The State of Illinois collects income and replacement tax on the income of C-Corporations. Replacement tax is collected on the income of S-Corporations and partnerships. Consistent with the federal government, the State of Illinois also requires the taxable earnings of a sole proprietorship, partnership and S-Corporation to be reported on the individual income tax returns of its owner(s).
Federal and Illinois income taxes are generally payable in advance based on estimates of tax liability. For those whose tax accounting year ends on December 31, the estimated tax payments are due April 15, June 15, September 15 and January 15. Accurate up-to-date accounting records are required for the business' estimated tax payments. The tax return and any balance of tax remaining is due on March 15 of the following year for corporations and April 15 for all other taxpayers. For those whose tax accounting year ends in a month other than December, the due dates vary correspondingly. If a business experiences a profitable year and has made no estimated tax payments periodically throughout the year, a significant State and Federal tax penalty will be due in addition to the required tax calculated on its yearly income tax return.

Insurance and Accounting Records

1. General Insurance

An efficient and cost-effective method of insuring your business's survival is commercial insurance. Now is a good time to consult with your insurance advisor to discuss what types of general insurance are applicable to your business venture. An insurance agent can be a significant ally for you and your business, helping you to predict potential pitfalls and anticipate areas where your assets may be at risk.

Business liability insurance, life, disability, and health insurance are some of the types you may want to consider. Also, don't forget to ask about insuring your building and its contents. Even if you rent, ask about insuring business contents and also insuring against business interruptions. Keep in mind that insurance is a product and is extremely variable in price and quality.

2. Business and Accounting Records

An important key to good business management is good accounting records. Accounting records are involved with every activity of your business. Each time you buy, sell, order, trade, produce an item, provide a service or pay an employee or vendor, some business record must be created. Accounting records are needed to get information for such things as FICA, wages and hours of employment, workers' compensation, income taxes, sales taxes, etc.

Equally as important is the use of accounting records as a valuable tool in determining how a business is doing and what can be done to improve it. If a bank is to make a business loan, you must provide records to show exactly how your business is doing and how you expect it to do in the future. The only way to get the answer about your business's health is from good accounting records.

Some small business owners believe if they write everything down on pieces of paper and keep them in a shoe box, an accountant can come in once a quarter (or year) and straighten out the records. Even if the accountant could straighten out the shoebox, it still would not produce good accounting records. Further, it is more costly to hire an accountant to clean up your mistakes than it is to establish proper records in the beginning. In the shoe box example, timely information is not immediately available as a tool in management control and decision-making.

Business record keeping should be scheduled as part of daily routines. This may require some discipline be put in place. Recording daily transactions on business forms and documents is the foundation of the accounting system. The purpose of the accounting system is to record and summarize all transactions in a meaningful manner. Many computer accounting programs now exist to allow the novice to easily record transactions. A good accounting system allows the owner to determine how well the business is doing, in collecting accounts receivable and in making timely payments of bills to receive discounts. A food accounting helps in determining what or how much to buy, monitoring cash balances cash flow and cash needs. It is critical in determining a proper amount to draw such as for salary etc.

Lack of proper records or an inability to understand existing ones is a frequent cause of business failure. Accurate and timely financial information forms the basis for sound business decisions. The help of a competent bookkeeper, accountant or CPA should be considered.

Chapter 5- Finances

Financing your Business

The ability to obtain adequate financing is as critical to every business venture as is location, the right equipment, reliable sources of supplies and materials, and an adequate labor force. Few businesses grow and prosper without help from bankers.

How to Apply for a Loan

Before you visit your banker, make sure that your resume, business plan, personal financial statement, prior three years personal federal tax returns, balance sheet, sales forecast, and cash flow projections are updated and thoroughly documented. Credibility with your banker is a great asset, but one that is hard to gain and easily impaired. Since your balance sheet and cash flow have been prepared on the basis of your research and plans for your business, you have to be the person to talk with your banker. Bring along your financial advisor if you wish, but be prepared to answer most of the questions yourself. Unprepared applicants seldom get the financing they think they deserve; so, have a written plan and be prepared.

Bankers have to be satisfied on two key questions that need to be kept in mind while preparing your request:

1. Does this loan make sense for the business?
2. How will the loan be repaid? If things don't work out, what's the secondary source of repayment?

The following guideline should be used for prospective business owners when preparing a request for financial assistance.

(a) Describe the type of business you plan to establish
(b) Submit information on the products or services the business plans to offer and identify existing and potential customers and competitors.
(c) Describe your experience and management capabilities.
(d) Prepare an estimate of how much you or others have to invest into the business and how much you will need to borrow.
(e) Include your current personal financial statement (no older than 60 days), listing all personal assets and liabilities and your last three years federal tax returns.
(f) Prepare a detailed month-by-month projection of earnings and expenses for the first year the business will operate, and yearly projections for the second and third years.
(g) List collateral to offer as security for the loan, indicating your estimate of the market value of each item.
(h) State the amount of the loan and exact purpose(s) for which it can be used.
-Detailed outline for the contents of a loan package is included in Appendix D.

Match Your Financing Request to Your Needs

Never borrow short term to cover long-term obligations, and never borrow long term to cover short-term obligations. Your banker is trained to match the financing options with the reasons for the financing.

§ Short-term loans are used for short-term needs: Inventory loans, with repayment to come from selling the inventory usually 30 to 90 days thereafter. Operating loans to cover gaps in cash flow are usually secured by receivables and also are repaid within short periods of time.

§ Your banker usually suggests line of credit loan since it is the easiest form of short-term borrowing on a frequent basis. It works much like a credit card except that it usually needs to be paid in full at some point. Usually businesses must have established a credit history before banks offer them the line of credit option.

§ Equipment loans are repaid from operating profits over a period not to exceed the useful life of the equipment being purchased. These are usually set up as term loans with fixed principal and interest payments over a one to seven year period.

§ Mortgages are long-term loans used to purchase real estate and may extend as long as 25 to 30 years.

✓ Be sure to solicit your banker's input as to the type of financing that should be used to meet your cash flow needs.

The 5 Cs of Credit

Bankers have been trained over many years to observe the five Cs of credit. Becoming aware of bankers' concerns will better your probability of securing the kind of financing that will help your business grow. The "Five Cs of Credit" are:

Character

Loans to small businesses are often not true commercial loans in the sense that many times the banker places greater emphasis on the individuals running the business rather than on the business itself. Many bankers claim that in fact they never lend to small businesses, but rather they invest in the owner's knowledge of his business and its market. Ultimately, the owner will be responsible for repayment of the debt. The owner will have to sign personally and guarantee the repayment. The kind of person you are has a lot to do with the reception you will get at the local bank. Being honest, straightforward, and responsible will increase your chances of having your application approved.

Credit

Your credit history is a key piece of the puzzle for your banker. How you have handled your credit in the past usually dictates how you will pay in the future. A good credit record alone seldom causes the banker to make a loan, but a bad record may cause him or her to deny credit.

Capacity

How much debt can you take on safely, and how much can your business bear? Remember that small business loans tend to be made more on the basis of the individual's ability to support that debt rather than on the strength of the business's cash flow. A careful cash flow projection will shift much on the burden to the business, but your banker will still look at you as the ultimate source of repayment. Your banker will ask for a personal financial statement as well as your business's balance sheet and cash flow statements in order to figure out how much you can afford to borrow. Bankers don't want to burden the business owners with too much debt because, obviously, they want the business to succeed.

Capital

You have to have at least as much at risk as the bank or other investors. This doesn't mean that your borrowing capacity is limited to what you can put in personally, but it does mean that you have to have some of your own cash (plus, in some cases, the cash investment from other investors) in the deal.

Collateral

Your banker doesn't want to own your business or personal residence or securities. He or she is in the banking business. Collateral is taken for two reasons: First as security or reduction of perceived risk to the bank, and secondly, as a commitment. Collateral represents a source of repayment in the worst case scenario. By putting up collateral, you show that you are at least as committed to the success of the venture as you expect the bank to be. Although the explanation above has dealt predominantly with obtaining financing from bankers, financial assistance is also available from local, state, and federal government agencies. It should be noted, however, that the same care and detail should be taken in preparing a request for financial assistance from governmental entities as from private lenders. After all, limited public funds are available for private business assistance.

The City of Rockford: Business Assistance Programs

Serving Rockford's Business Community

1. Human Services Department- CSBG Micro SB Loan

The Illinois Community Service Block Grant (CSBG) Micro SB Loan Program is administered jointly by the Illinois Department of Commerce and Economic Opportunities (DECO) and the City of Rockford Human Services Department. This program provides long-term, fixed-rate financing to new or expanding companies in exchange for jobs and employment for low income individuals. CSBG Micro-SB loans up to $20,000 are also available and may fund 100% of a business project. One low-income job must be created. The program is subject to funding availability, state approval of loan package following City approval, and the other restrictions of the CSBG program as explained above.

Amount	$ 20,000 maximum (No Private Financing Required)
Tenure	Length of loan is based the activity but does not exceed 10 years
Purpose	Funds can be used to; Acquire Equipment, Inventory, Working Capital
Repayment	Principal and interest monthly
Rates & Fees	Fixed rate between 3-5% Interest and all filing fees by borrower
Collateral	1st Lien on Business Assets/Residence or Commercial Real Estate or negotiate a shared position &/or Marketable Securities
Guaranty	Principals with ownership of 20% or more must guaranty
Job Creation Requirement	$ 20,000 per 1 Full-time Equivalent Job Created & jobs to be filled by low income persons living in Boone or Winnebago Counties
Other Requirements	Must first obtain Private Financing / Located in Boone or Winnebago counties / Reviewed by SBRL- Small Business Review Loan Committee & Illinois DCEO / Approximate Process takes 4-6 weeks

For further information and applications contact: The City of Rockford on (815) 987-5600.

2. Human Services Department CSBG- SBL Program

The Illinois Community Service Grant (CSBG) Small Business Loan Program is administered jointly by the Illinois Department of Commerce and Economic Opportunities (DCEO) and the City of Rockford Human Services Department. This program provides long-term, fixed rate financing to new or expanding companies in exchange to new or expanding companies in exchange for creating jobs and employment for low-income individuals residing within the counties of Winnebago and Boone.

One full-time job needs to be created for each $20,000 received. CSBG loans may make up to 49% of a loan package. The remaining 51% can comprise of funds from of other private or public sources - including liquid equity from the borrower. Loans are made at a rate of 3-5% interest and the tenure is determined by activity but does not exceed 10 years. There is no application or origination fees for CSBG small business loans.

Amount	Up to 49% of project or available funds
Tenure	Length of loan will be determined by the activity but shall not exceed 10 years
Purpose	Grant Loan: can be used to; Acquire Equipment, Inventory, Working Capital, Recaptured Funds: In addition to above, to be used in Construction & Rehabilitation, Non-Profit Purchase of Real Estate
Repayment Terms	Principal and interest monthly
Rates & Fees	Fixed rate between 3-5% Interest & all filing fees by borrower
Collateral	1st Lien on Business Assets/Residence or Commercial Real Estate or negotiate a shared position and/or Marketable Securities
Guaranty	Principals with ownership of 20% or more must guaranty
Job Creation Requirement	1 Full-time job for each $ 20,000 filled by low income persons living in Boone or Winnebago Counties
Other Requirements	Must first obtain Private Financing /Located in Boone or Winnebago counties / Reviewed by SBRL- Small Business Review Loan Committee & Illinois DCEO / Approximate Process takes 4-6 weeks

For further information and applications contact:

The City of Rockford
Economic Development Division,
City Hall, 2nd Floor, 425 East State Street,
Rockford, IL 61104,
Telephone: (815) 987-5600.

City of Rockford- Additional Business Programs

(1) Shopsteading

This program is designed to assist qualified applicants with the rehabilitation and/or construction of commercial structures on city-owned property. First implemented on South Main Street in 1992, a competitive process of awarding the building is followed, with attendance at mandatory workshops explaining the program a first prerequisite. The business owner must demonstrate through a well-prepared business plan that his business offers a service or a market in the surrounding low and moderate-income neighborhoods, as well as possible employment opportunities to the area residents. The business must demonstrate a strong potential to operate successfully from the shopstead building, which becomes the business owner's property after 10 years of successful operation in the facility.

(2) Industrial Revenue Bonds (IRB)

Bond proceeds can only be used for fixed asset financing and should only be considered for very large projects. Industrial Revenue Bonds are available to manufacturing concerns only. They are issued through the City of Rockford's Legal Department, with City Council approval, but a manufacturing business seeking bonds must secure authorization first from the Governor's Office. Bonds may be used to fund 100% of an eligible manufacturing project and require no equity investment. However, the company requesting the bonds issue must find its own buyer (usually a bank) for the bonds. The revenues of the project repay the bonds. The interest on the bonds is tax exempt to the bond purchasers; therefore, lower interest rates are available. Contact the City of Rockford's Legal Department at (815) 987-5551 for further information.

Rockford Local Development Corporation (RLDC)

The Rockford Local Development Corporation (RLDC) operates a direct loan fund for businesses in Rockford and manages regional loan programs for the Northern Illinois Community Development Corporation and the U.S. Small Business Administration (SBA) under contractual arrangements. The first two programs are explained below and the SBA 504-program description is under the heading, Federal Assistance Programs. The RLDC also is authorized by DCEO to participate in the State of Illinois Loan Participation Program, which allows the RLDC to increase loan amounts to individual businesses by selling a portion of each loan to DCEO (See State Assistance)

RDLC Assistance Programs

(1) Revolving Loan Fund

The Revolving Loan Fund (RLF) is a permanent pool of money from which long-term, fixed-rate loans are made directly to eligible businesses in Rockford. Applicants must be small to medium-sized businesses involved in manufacturing or other commercial activities, where opportunities to create new jobs, retain existing jobs, or other community benefits exist. Maximum loan is $200,000 or 33% of total project costs, whichever is less, while the minimum loan is $20,000. The loan proceeds can be used for land and building purchase, construction and renovation, machinery and equipment purchases, and for working capital. Terms are negotiable.

(2) Northern Illinois Community Development Corporation Regional Loan Fund

Northern Illinois Community Development Corporation (NCDC) is a private, for-profit, special purpose corporation authorized by federal and state bank regulatory agencies to encourage banks to participate in higher risk community investments. It was organized in 1992 by the Rockford Local Development Corporation (RLDC), five area banks, and the communities of Winnebago and Boone Counties to stimulate business development in these two counties. The organization was expanded to nine area banks in 2000 with the addition of four Rockford area banks. NICDC operates a Regional Loan Fund offering business loans up to $100,000 to stimulate the creation and expansion of small- and medium-sized businesses and to attract new businesses to the two-county region. The RLDC operates the program under contract with NICDC. Applicants must be manufacturers or other private, commercial concerns undertaking development or expansion projects that will create or retain jobs, contribute to the region's tax base, or provide other community benefits. Maximum loan is $100,000 or 33% of total project costs, whichever is less, while the minimum loan is $20,000. Eligible project components include facility acquisition or expansion and renovation, purchase of machinery and equipment, marketing programs, working capital, research and development, and licenses and product lines. Terms are negotiable.

For further information and to apply for the Revolving Loan Fund and the Northern Illinois Community Development Corporation Regional Loan Fund, contact:

The Rockford Loan Development Corporation,
120 West State Street, Suite 204,
Rockford, IL 61101,
Telephone (815) 987-8675

3. City's Small Business Loan Program

This facility is available to retail and service employers locating their businesses in City-defined targeted areas within an existing or proposed TIF District or Enterprise Zone. Loan amount range from $ 1,000.00 to $ 50,000.00 and is based on job creation, with a strict requirement that 51% of the jobs created be made available to low - to - moderate income City of Rockford residents. Although funding is based on the number of full-time equivalent jobs created, it can vary, based on the source of funds available to make the loan. The City's funding, however, does not exceed 49% of the project.

- For-profit small businesses located in the City of Rockford
- Creation, acquisition or expansion of businesses including acquisition of capital assets and in cases not otherwise restricted, relocation expenses of

business moving into the area, start-up expenses, and/or working capital assistance

- Loans will range from $5,000 to $20,000
- Except by vote of a majority of the loan committee, Small Business Loan Program funds may not be used to finance passive investment and refinance existing debt
- Loan terms shall not exceed ten (10) years unless loan is combined with SBA 504 requiring a twenty (20) year term

For further information and applications contact: The City of Rockford on (815) 987-5600.

State of Illinois Assistance Programs

The State of Illinois has various programs designed to assist credit-worthy businesses in Illinois. All require participation by independent financial institutions and require owner equity and collateral. No State Programs will refinance existing business debt.

(1) Illinois Enterprise Zone Business Participation Loan Program

The Illinois Department of Commerce and Economic Opportunity (DCEO) may participate in small loans up to 25% of the total amount of a project, but not less than $ 10,000 or more than $ 750,000. Businesses locating in (or expanding in) the Enterprise Zone can contact their local banker about the program.

Applicants should proceed with the prescribed paper work required for a private bank loan and then the lender to apply to DCEO for participation. DCEO's rate can either vary or it may be fixed, but this loan allows the bank to offer the borrower a lower "blended" interest rate than on a loan without the State's participation. The bank may retain 0.5% of the DCEO rate to cover servicing costs or they may pass along the points of the borrower.

Note: Additional tax-saving benefits exist for companies creating 200 or more jobs and making application to DCEO for such benefits.

Amount	Up to 25% of the total amount of project, but not less than $ 10,000 or more than $ 750,000
Tenure	No more than 10 years
Interest Rate	Prime minus 2 % (DCEO rate for variable rate loans); comparable rates for fixed & adjustable rate loans
Note	Enterprise Zone Location Required

(2) Northern Illinois Minority Companies Short-term Loan Program

Northern Illinois Minority Companies Association (NIMCA), is a nonprofit corporation consisting of a network of minority- and female-owned businesses, offers its membership affordable short-term financing when backed by new contracts or purchase orders. Maximum loan is $5,000, and term will not exceed 90 days or the length of the contract, not to exceed 6 months. Loan Proceeds may be used to purchase materials and/or inventory needed for project/contract completion.
For further information and an application for the two programs above, please contact

Economic Development Division,
City of Rockford, 2nd Floor,
425 East State Street,
Rockford, IL 61104,
Telephone: (815) 987-5600.

(3) Minority Business Enterprises (MBE), Women Enterprises (WBE) and Disadvantaged Business Enterprises (DBE) Loan Program

Businesses which are at least 51% owned and operated by Minority, Women and Disabled individuals may receive loans of up to $25,000.00 at 2% below prime rate if they locate within the City's designated areas. Loans are available in areas throughout City, which are underrepresented by MBE, WBE, and DBE businesses. Loans may not exceed 30 % of project costs, length of loan will be determined by activity but shall not exceed 10 years.

Amount	Up to $ 25,000.00 or 30 % of project, whichever is less
Tenure	Maximum 10 years, depending on cash flow analysis
Purpose	To purchase equipment; working capital; construction; purchasing real estate
Repayment	Principal plus interest, monthly
Interest rate	At or below prime (2% below prime if located in designated areas)
Fees	$ 25.00 Credit Check Application Fee (non refundable)
Collateral	Lien on business assets/residence or commercial real Estate & Marketable securities
Guarantee	Principal with ownership of 20% or more must guarantee
Job Creation	(i) Filled by low-mod income city residents (ii) Minimum of 2 jobs created within 2 years (iii) and1 Full-time equivalent (FTE) for every $ 15,000
Other Requirement	(i) 51% of the business must be owned and operated by MBE, WBE or DBE (ii) Evidence of Private Financing (iii)Loans available within the

	targeted areas; and those that are underrepresented by MBE, WBE and DBE businesses (iv) Reviewed by SBRL Committee (v)Approximate Process takes 4-6 weeks

Contact the city of Rockford for more information at

Economic Development Division,
City of Rockford, 2nd Floor,
425 East State Street,
Rockford, IL 61104, Telephone: (815) 987-5600.

The Illinois Department of Commerce and Economic Opportunities (DCEO)

DCEO runs a number of programs to assist business people in the State.

(a) Illinois Capital Access Program

The Capital Access Program (CAP) is designed to encourage lending institutions to make loans (including lines of credit) to small and new businesses that do not qualify under conventional lending policies. CAP is a form of loan portfolio insurance administered through DCEO, which provides coverage to the lender on loan defaults. Contact your bank and ask if the financial institution participates with CAP. There is an additional fee to the business borrower (between 3 and 7 percent of the total loan amount) and DCEO matches that amount to create a reserve fund to cover loan losses. DCEO provides a 150% match of businesses owned by minorities, women or the disabled. All lending criteria including the terms, rates, fees, collateral and conditions are decided by the private lender. Applicants should proceed with the prescribed paperwork for a private bank loan, and the financial institution then enrolls the loan with DCEO for the extra "insurance" coverage.

For further information, call DCEO on (800) 782-3891 or (217) 782-3891.

Illinois DCEO
Business Finance Division
620 East Adams
Springfield Illinois 62701
www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Loan+Programs/cap.htm

(b) Illinois Loan Participation Program (PLP) (Including Minority, Women and Disabled Participation)

The Participation Loan Program provides economic development assistance through banks, development corporations and other lenders to Illinois small businesses that provide employment opportunities for Illinois citizens. Through this program, the Department of Commerce and Economic Opportunities (DCEO) will participate in small business loans up to 25% of the total amount of a project, but not less than $10,000 or more than $750,000. The program was designed by DCEO to encourage lenders to make loans that they otherwise would not make for a variety of reasons. Minority, Women and Disability Participation may not exceed 50% of the project, subject to a maximum of $50,000. DCEO's participation in a Development Corporation Loan may not exceed 25% of the total project or $750,000 maximum.

Funds can be used for purchase and installation of machinery and equipment, working capital, purchase of land, construction, or renovation of buildings, etc. This program focuses primarily on individuals and businesses which have fewer than 500 employees and need additional financing in order to proceed with a project which creates and/or retains jobs or improves their competitiveness through modernization. Applicants should proceed with the prescribed paperwork required for a private bank loan, and that lender then applies to DCEO for participation.

For further information, call DCEO on (800) 782-3891 or (217) 782-3891.

Illinois DCEO
Business Finance Division
620 East Adams
Springfield Illinois 62701
www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Loan+Programs/plp.htm

(c) Illinois Enterprise Zone Business Participation Loan Program

Businesses located within the City of Rockford's Enterprise Zone or selecting a site within the zone (call 815-987-5610 for a zone map) should contact their local banker about obtaining State participation in a loan for their business location and/or expansion. Applicants should proceed with the prescribed paperwork required for a private bank loan, and that lender then applies to DCEO for participation. Through this program, DCEO will participate in small business loans up to 25% of the total amount of a project, but not less then $10,000 or more than $750,000. Eligible businesses include any for-profit entity with less than 500 employees (or not dominant in its field) locating or expanding in an Illinois Enterprise Zone.

There are no industry restrictions or job creation/retention requirements under this program. DCEO's rate is prime minus 2%, which allows the bank to offer borrower a lower "blended" interest rate than on a loan without the State's participation. The bank may retain 0.5% of the DCEO rate to cover servicing costs or they may pass along the points to the borrower.

Contact your local banker first, but for further information, call DCEO on (800) 782-3891 or (217) 782-3891.

Illinois DCEO
Business Finance Division
620 East Adams
Springfield Illinois 62701
www.illinoisbiz.biz/dceo/Print/default.htm?uid={8A9502B9-2176-4520-B49C-D011630494FB}

The Illinois Finance Authority (IFA)

'A Little Help from IFA goes a long Way'

The Illinois Finance Authority (IFA) is a self-supporting, State agency, which provides financing and technical assistance to businesses, local governments, and no-for-profit corporations. The Illinois General Assembly created IFA in 1983 to foster economic growth and job creation in Illinois. Short descriptions follow for two of their business programs. For further information, contact the Illinois Finance Authority at 180 N Stetson # 2555, Chicago, IL 60601 phone (312) 651-1300 or (800) 717-6066.Visit IFA website: www.il-fa.com

Programs

(a) Participation Loan Program

IFA may purchase up to the lesser of $1,000,000 or 50% participation in the loan (directly from the borrower's bank) of Illinois business that creates new or retains existing jobs. IFA Participation Loans are for fixed asset purchases. IFA purchases the participation at a discount that results in a lower blended interest rate to the borrower. The bank performs the underwriting and is responsible for loan closing and serving. If the maturity exceeds 10 years, IFA requires a balloon payment at the end of ten years. See www.il-fa.com/products/ind_part.html for detail

(b) Technology Development Bridge (Seed Stage Venture Capital Fund)

The Technology Development Bridge is an Illinois venture capital fund that provides seed stage equity financing to small technology companies. It is an innovative public-private partnership, developed by the Illinois Coalition (now the Illinois Technology Development Alliance) and funded by the Illinois Finance Authority, aimed at helping technology firms access capital they need to grow and create jobs. The benefits of this fund include: (i) Provision of seed and early-stage equity financing that is often difficult to obtain (ii) Leverage private venture investment by accredited venture capital investors and (iii) It makes equity investment that typically range from $150,000 to $300,000.

IFA venture capital investments provide venture and seed financing to Illinois businesses that have the potential to stimulate long-term employment and economic activity in Illinois. Investments require a co-investment by one or more professional venture investors. Businesses are required to locate their operations in the State of Illinois. IFA will "match" the terms set forth by a qualified co-investor. Candidates must be small, private-owned businesses with less than 50 employees. The company must be developing or commercializing a new technology or invention. The investment represents financing for applied research, development, testing and initial marketing of a technology, product, process or invention.

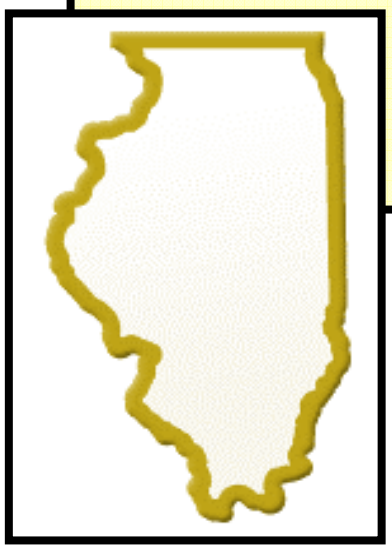
For more detail: please visit www.il-fa.com/products/sb_vc.html

STEP

Illinois State Treasurer's Office Economic Program (STEP)

The Illinois State Treasurer's Office offers Economic Program (STEP) where the State deposits its funds with a participating bank, thus making it possible for banks to offer more attractive loan rates to established businesses. For each permanent full-time job that is created or retained, the Treasurer can deposit $25,000 at well below market rates into the borrower's financial institution. That institution will then lend the money at below prevailing interest rates to the borrower. Term is one year but may be renegotiated for an additional year. Every STEP project is approved at the exclusive discretion of the Treasurer's Office, but loans are not made directly to the borrower. The financial institution that receives the discounted deposit decides on the credit-worthiness of the borrower. To see if your Company qualifies, Please Contact State Treasure's Office

Chicago Office of Economic Development
100 West Randolph St Suite 15-600
Chicago IL 60601
Telephone (312) 814-1700 (8310)
www.state.il.us/treas/Programs/step.htm



Federal Assistance Programs

1. Small Business Administration (SBA) 504 Loan Program

The SBA 504 Loan Program provides long-term subordinated, fixed-rate financing for major fixed assets having at least ten years of useful life. These loans are to be used by eligible small businesses to fund up to 40% of the cost of land and buildings, machinery and equipment, and renovation expenses, or $1 million, whichever is less. Business owner must invest at least 10% equity into the project. Interest rate is a set increment above the current market rate for 5- and 10 years U.S. Treasury Bonds, and terms are 10 years equipment and 20 years for buildings. A business must create or retain one job for every $50,000 provided by the SBA except for "Small Manufacturers" which have a $100,000 job creation or retention goal. For more information contact

Rockford Local Development Corporation:
120 W. State Street, Suite 306
Rockford IL 61101- 4157
Telephone: (815) 987-8675
Fax: (815) 968-4157 Website: www.rldc.us

2. Small Business Administration (SBA) 7(a) Loans

The SBA 7(a) Loan Guarantee Program provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private lenders. SBA's 7(a) Loan Program has a maximum loan amount of $2 million dollars. SBA's maximum exposure is $1.5 million. Thus, if a business receives an SBA guaranteed loan for $2 million, the maximum guaranty to the lender will be $1.5 million or 75 percent. SBA Express loans have a maximum guaranty set at 50 percent (as at 12/08/2004)

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums pegged to the Prime Rate. In addition, the SBA charges lenders guarantee and servicing fees which are passed along to the borrower. Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process, but good character, management capability collateral, and owner's equity contribution are also important considerations. For those applicants that meet the SBA's credit and eligibility standards, the Agency can guaranty up to 85 percent of loans of $150,000 and less, and up to 75 percent of loans above $150,000. This standard applies to most variations of the 7(a) Loan Program. However, SBAExpress loans carry a maximum guaranty of 50 percent guaranty. The Export Working Capital Loan Program carries a maximum of 90 percent guaranty, up to a guaranteed amount of $1,000,000.

Contact your local banker for further information. SBA office has additional Information on SBA 7 (a) Fund www.sba.gov/financing/sbaloan/7a.html

Although SBA application paperwork has been cumbersome in the past, your banker may determine that your project may use **New LowDoc** (an abbreviation of Low Documentation), a relatively new program of the SBA. As in the regular 7(a) program, loan proceeds can be used for real estate purchase or construction, leasehold improvements, equipment, inventory and working capital. With LowDoc, the approval process focuses on character, credit, and business experience. Loans can be made for an existing business, a business purchase, or business start-up. The primary considerations are the borrower's willingness and ability to repay debts, as shown by his or her personal and business credit history, and by past or projected business cash flow.

The LowDoc Program was designed to increase the availability of loans under $150,000 to the small business community and streamline and expedite the SBA loan review process. It offers a simple, one-page application form and 36-hour turnaround on loans of up to $150,000. Banks however, may request more information in order to arrive at their recommendations to the SBA forwarding it to SBA district offices. Terms, interest rates, and uses are the same as for any 7(a) loan. The SBA may guarantee up 80% of LowDoc loan amounts up to $100,000 and up to 75% of loans above $100,000.

(3) Special *SBAExpress* Loan

The need for quick and easy access to working capital is critical to the operation of many small businesses. Adequate working capital is essential to purchase seasonal inventory, initiate advertising campaigns, and absorb increases in account s receivable or to fund growth.

To help ensure that small business owners have the best and quickest possible access to working capital, the SBA launched an expanded SBAExpress loan program that was previously available only through relatively high volume SBA lenders. This facility is now available through many local banks and lending organizations that are in good standing and have been approved as SBAExpress lenders. Business owners can now borrow up to $25,000 unsecured loan and get an approval within 36 hours. This facility offers a 50 percent guarantee that cuts the lenders risk in half, thus encouraging lenders to make more working capital loans. Borrowers may apply on line with a number of regional and national lenders, or may apply at any local lender that has been approved to make SBAExpress loans. To contact the nearest SBA District Office for a current list of SBAExpress lenders in your area, visit www.sba.gov

4. Small Business Investment Companies

These are privately capitalized, owned and managed investment firms licensed by the Small Business Administration. These firms supply equity capital, long-term financing and management to small businesses. They are organized under special rules of the SBA. Contact the SBA for further information at (312) 353-4528; (312) 992- 4595 or visit www.sbaonline.sba.gov/INV and www.sba.gov/INV/sbicrightforyou.doc

5. Small Business Innovation Research Grants

Ten federal departments and agencies with research and development budgets greater than $100 million are required to award a portion of their funds to small companies. These agencies designate research and development topics and accept proposals. Grants made finance "risk" research and development. The SBA is the coordinating agency for the Small Business Innovation Research Program. Further information can be obtained from the SBA Office of Technology at (202) 205-6450 or on line at www.sba.gov/SBIR

6. Small Business Administration (SBA) Web Site

Information about SBA programs, workshops and locations of SBA district offices nationwide may be obtained via computer at www.sba.gov. The closest office of the U.S. Small Business Administration is at:

500 W Madison Street Suite 1250
Chicago, IL 60661-2511
Phone (312) 353-4528
Fax (312) 886-5688

Chapter 6- Assistance Programs

Special Business Assistance Programs

There are many organizations and agencies in the Rockford area that are designed to assist businesses in all aspects of operations. The advice and assistance ranges from management counseling and technology development to government contract procurement. Many of the services are free of charge or at minimal cost to the business. After reading through the following program descriptions, contact those, which you believe, would be helpful. Full addresses of the agencies will follow in Appendix A.

Technical Assistance

(a) SBDC - Rock Valley College Small Business Development Center.

The SBDC assists start-ups and existing businesses by providing "how-to" assistance. Free one-on-one counseling by appointment is offered at the SBDC on such topics as business management, the preparation of business and marketing plans, loan packaging, business skills, international trade opportunities, minority- and women-owned business matters, and other business concerns. The counselors will help to organize relevant business information that clients have researched into a viable business plan, which may be used to seek financing assistance. The SBDC and SCORE (see below) co-sponsor many useful business classes as an excellent addition to SBDC assistance. The "Business Plan" class is highly recommended. More in-depth classes are offered through Rock Valley College in the Small Business Success Series designed for those who want to start a business or strengthen an established one. Contact the SBDC for the classes they offer as well as for information about Rock Valley College classes. Phone number for the Small Business Development Center is (815) 921-2081.

(b) Self-Employment Training

Sponsored by the City of Rockford, Self-Employment Training classes are offered free to low-and moderate-income residents of the City of Rockford. Cost is $100 for individuals not meeting the above qualifications. "How-to" classes taught by SBDC staff are offered 4 hours each week for 10 weeks, The basics of running a small business are explored, including goal setting, the importance of planning and development of a written business plan. In fact each class graduate must complete a business plan. One-on-one counseling and support group meetings are available following class completion. Contact the SBDC at (815) 921-2081 for further information.

(c) Service Corps of Retired Executives (SCORE)

The Service Corps of Retired Executives is comprised of retired businessmen and businesswomen who can provide one-on-one counseling with those planning to start or buy a business and with people already in business who can benefit by the specialized expertise and skills the counselors provide. The free counseling by appointment covers all areas of business operations, including marketing and assistance with business plans and loan proposals. SCORE volunteers also conduct business workshops and classes periodically, often in conjunction with the SBDC (see above). SCORE representatives may be contacted at (815) 962-0122. Fax (815) 962-0806.

Email: info@northernillinoisscore.org
www.NorthernIllinoisScore.org

(d) Business and Industry Data Center Network

DCEO, through its data center network, can provide Illinois small businesses convenient access to economic statistical data. Such data is especially useful in keeping up-to-date on market planning. Among requests that small business owners may make to the local network affiliate for this area (Rock Valley College SBDC) are to provide basic census, economic and demographic information. Contact the SBDC at (815) 921-2081 for further information.

(e) Pre-Development Project Review

The City of Rockford provides for pre-development interdepartmental meetings to help developers keep their projects on track and avoid costly delays. The City will gather representatives of several departments to help identify potential design problems regarding Community Development at (815) 987-5600.

(f) First Stop Business Information Center

By calling this free business information resource operated by the Illinois Department Commerce and Economic Opportunities (DCEO), interested parties will reach business specialists who can identify applicable state regulations and determine any Illinois permits required by a specific business. The assistance programs, from financing to free consulting, including instructions about how to access them. Ask for a copy of "Starting a Business in Illinois." Call the Center at (800) 252-2923 or TDD relay (800) 785-6055.

(g) Rock Valley College Technology Center

The Technology Center, opened in the fall of 1987, provides customized programs for business and industry in the emerging technologies. Equipment and facilities include flexible meeting space and consulting services designed to meet individual needs of companies. In addition to various academic programs, the Technology Center provides services such as management and business training, workshops and seminars, machine demonstrations, and technology utilization and assessment.
For further information, contact the Rock Valley Technology Center at (815) 654-5500.

(h) Northern Regional Illinois Manufacturing Extension Center (IMEC)

Rock Valley College Technology Center is home to the Northern Regional Illinois Manufacturing Extension Center (IMEC). With field offices in DeKalb and the East Moline area, Northern Regional IMEC, which operates with a fee-for-service structure, is designed to provide manufacturers with affordable solutions to the challenges faced by small and mid-sized companies. Staff of IMEC will deliver hands-on assistance to help manufacturers improve performance in every area of their operations – from engineering and technology to business management. Examples include helping companies work through modernization opportunities, identifying and acquiring new technology, retrofitting existing equipment, and even assisting in new product and testing prototypes. Likewise, IMEC can assist with developing a detailed marketing and sales plan for manufacturers to reach new markets. For further information, contact the RVC offices of IMEC at (815) 654-4256.

(i) Technology Commercialization Office (TCO)

The Technology Commercialization Office (TCO) of Northern Illinois University routinely offers both technical and business development assistance to inventors and entrepreneurs seeking to commercialize their innovative concepts. In the past, the TCO offered these services primarily to university faculty, staff and students. However, the TCO has recently reinvented its operations and program focus in order to help fulfill the university's service mission to the non-university community. While the scope of services which the TCO can provide vary with the needs of the project and the availability of required resources, specific areas of TCO capabilities and assistance include provision of experienced counseling and mentoring; strategic planning assistance; technology; management of intellectual property; prototype development and product testing. Established businesses may also inquire about the temporary use of specialized university equipment and facilities through this office.

For further information, please contact the TCO by one of the following means: phone (815) 753-1238; fax: (815) 753-6366, or e-mail: dcolbert@niu.edu

Job Training Assistance

(a) Rock River Training Corporation (RRTC)

Rock River Training Corporation is the lead agency administering the federal Workforce Investment Act (WIA) in the Rockford area. Services provided to employers include on-the-job training, skills assessment, employee search, and classroom training. The on-the-job training program for established businesses can significantly reduce training costs. Up to 50% of wages due employees during the first months of on-the-job training are payable by RRTC. Employers can also be reimbursed for costs associated with classroom training for eligible employees. RRTC also provides an employee search service where employers receive quality, pre-screened referrals to consider for filling job vacancies. The organization is also able to qualify prospective employees and process the necessary paperwork to obtain specific federal hiring tax credits. Contact the Rock River Training Corporation at the Illinois Employment and Training Center, (815) 395-6600, extension 685 or fax: (815) 229-2796.

(b) Dislocated Worker Program (DWP)

The Dislocated Worker Program serves unemployed, laid off due to lack of work or company closure. The program includes all skill levels of workers participating in classroom training and job search. Funding through the Illinois Department of Commerce and Economic Opportunities (DCEO) includes 50% reimbursement of the base wage to companies while workers are training on the job. Contact the DWP at the Illinois Employment and Training Center (815) 395-6600, ext. 310.

(c) Rock Valley College Adult Education Center Program

Programs can be designed by professional instructors to provide on-side classes in reading, writing and language skills enhancement, math skills, critical thinking skills, GED examination preparation, and English as a second language form employees at established businesses. Contact the Adult Education Center Program at Rock Valley College's Samuelson Road Center by calling (815) 874-3000, extension 2008. www.rockvalleycollege.edu/show.cfm?durki=266

(d) Illinois Industrial Training Program (ITP)

The Industrial Training Program assists manufacturing employers in obtaining skilled labor needed for expansion or location in Illinois. Training can be done in new manufacturing technologies, quality management, and skills necessary to enable manufacturers to establish or expand into new export markets or new product lines. Grants for employee training can be awarded to reimburse up to 50% of the approved training costs for each eligible employee. Applications are subject to the availability of DCEO funding and may be obtained from the Illinois Department of Commerce and Economic Opportunities at (217) 785-6284 of (312) 814-2809. Applicants must also provide their company's financial statement for credit analysis. Program information is also available on-line at
http://www.commerce.state.il.us/dceo/Bureaus/Workforce_Development/

(e) Prairie State 2000

Under this state-funded program, businesses, which need to re-train their employees, are eligible for low-interest loans or grants. Businesses can receive training loans which over 100% of direct training costs or training grants for 50% of those costs from the Prairie State 2000 Authority. This program invests in smaller Illinois companies that must re-train workers in new technologies or quality/productivity improvement systems in order to remain competitive. Small- to medium-sized "primary" companies- with no more than 20% pre-tax income- are eligible if they are reinvest profits to change products and processes to meet customer demands, develop new products to expand markets, and operate in an environment which demands ISO or QS certification in order to remain competitive.

Also, they may be operating, currently, at a loss, with retraining as a major part of the plan to once again become profitable. For funding availability and applications, contact

the Prairie State 2000 Authority at (312) 814-2700 or TDD (312) 814-3842 or on-line at www.state.il.us/ps2000.

(f) Secretary of State Literacy Program

A division of the Illinois Secretary of State's Office Provides workplace literacy grants to businesses to work in partnership with educational providers to upgrade employee's basic skills. Applications for the competitive grants up to $10,000, which must be matched by the private businesses, are available by calling (217) 785-69221. Due date is March 15 with awards made July 1 to coincide with the State's fiscal year. For further information and grants application, call (217) 785-6921.

International Trade Association

Exports, Imports & Procurement Assistance

(a) Export Assistance Center (EAC).
The United States Department of Commerce funds the Export Assistance Center to increase export-related jobs in Northern Illinois. Directly linked to American Embassies and Consulates around the world, the Export Assistance Center offers local firms programs to help develop international networks, and to find sales opportunities overseas. Small and Medium-sized Enterprises (SMEs) should include the EAC market research and counseling services as part of their export-marketing plan. Contact the Export Assistance Center at (815) 987-8123 (fax: 815-963-7943). Additional helpful information may be obtained on-line
www.trade.gov/cs/

(b) Rock Valley College Procurement Technical Assistance Center (PTAC)
The Procurement Technical Assistance Center (PTAC) provides counseling information, and assistance for firms to assist them in qualifying and selling to federal, state, and local governments and export markets. It matches a firm's products/services with government buying agencies, assists businesses in acquiring specifications and standards needed to bid, and links firms with other business assistance programs to provide a full range of business development services. The PTAC can also provide information about contracting preferences provided if a business is located in a HUB Zone and hires employee who also live in a HUB Zone. Contact the PTAC for information about what local census tracts have been designated for the federal HUB Zone Empowerment Contracting Program. The PTAC is committed to help all businesses in the continued efforts to expand and increase the contract awards to area businesses. Contact the Rock Valley College Procurement Technical Assistance Center at (815) 921-2086/2091 (John DiGiacomo-Program Director) www.rockvalleycollege.edu/show.cfm?durki=293&site=13&return=16

(c) United States Customs and Border Protection Service
The United States Customs and Border Protection Service can answer questions with regards to importation of shipments into the United States. Contact the U.S. Customs Service at 6 Airport Circle, Rockford, IL 61109, and phone (815) 987-2475. www.cbp.gov

(d) "A Basic Guide To Exporting"
This 1998 edition includes information for businesses to develop an export strategy, find economic market research, ship overseas, complete export documentation, respond to overseas inquiries, and take advantage of available government export assistance programs. It is published by the U.S. Department of Commerce in Cooperation with Unz & Co. Inc. The cooperation of Unz & Co. in this effort does not in any way imply an endorsement for their products or services. For ordering information, call (202) 512-1800. Read it here: www.unzco.com/basicguide

Chapter 7- Marketing

Marketing

Increasingly, it is becoming more essential to business today to have a presence on the World Wide Web. Whether or not you determine to sell your products on the internet, it may be desirable to consider having your own web address in order to spread information about your company and its products and services.

Although it is purchase software and create a web site yourself, unless you are a topnotch computer expert, it is strongly recommended that you hire the services of a reputable web site design company. A reputable web designer can reserve a site name for your company well in advance of the actual web design. That provides valuable time to consider the specifics of your business's proposed site. Rather than rushing to have a web presence be certain that you have thought through such things as your company's goals, how many items you want to include on the site, and how often your posted information will require changes. You do well to consider such aspects as how many people you anticipate will use it and how changes and updates to your company information will be handled and the cost of doing so, etc.

A competent web designer will have contacts for service providers and information about the necessary software you require so that a site can be developed, which can be easily maintained. Equally as important, he/she can also assist in getting your new site publicized over the Net and will submit your web site to various well-known search engines so that interested persons can find your site easily.

Once you have chosen a reputable web site designer, discuss with your web site designer whether selling on-line could be an effective means to market your business's product or service. However, before deciding to sell your products and/or services over the Net, make certain your Internet service provider can guarantee the security of the transaction both to your company and to your customer. If you proceed, an agreement must also be signed with you credit card bank to handle the transactions.
New business owners often become so immersed in getting their businesses started that they forget the importance of maintaining face-to-face contacts with other business people. Whether called networking or friendly conversation, time should to attend organizational meetings where the sharing of common business experiences abound.

New business people can gain valuable contacts by becoming active in the Rockford Area Chamber of Commerce and its various committees. With Chamber membership comes a listing of one's business in the directory of Chamber members. The member directory is available on-line at www.rockfordchamber.com and lists both e-mail and web addresses for each member companies. It is also distributed to many new companies and individuals in the community who contact the Chamber for information. For Chamber membership information, call (815) 987-8100, extension 121.

One excellent Chamber Committee composed of small business people discussing topics of general interest is the Council of Small Business. It meets at 7:30 a.m. on the First Thursday of each month at the Rockford Area Chamber offices, 308 West State Street Suite 190. Two other Chamber committees meet monthly to address concerns specific to women in business and each year the Chamber hosts a Business Women's Luncheon. The Business Women's Council meets at noon on the first Tuesday of each month, and the Women's Business Owners' Council meets at 7:30 a.m. on the third Thursday of each month. Each committee offers women the opportunity to network and gather and information about women in business

The Rockford Area Chamber also operates two web sits. Visit the official web site at www.rockfordchamber.com. For Chamber web site questions, call (815) 987-8100, extension 100 or e-mail editor@rockfordchamber.com.

Also, there are various location-oriented groups of business people (i.e., River District, North End Commons, and Midtown District Association). Most of these hold monthly meetings to discuss area business concerns. Get to know your neighboring businesses and learn how to work together. Opportunities exist to tackle common problems and possibly to even start cooperative advertising.

Various local retail or professional associations also exist. Ask other business people. Don't be a "lone wolf" going it alone. Be a joiner and experience more self-satisfaction and success. It helps to talk with others! The City's Legal Department Equal Opportunity Compliance Officer invites minority- and female-owned businesses to join the Northern Illinois Minority Companies Association (NIMCA) www.nimca.org to work together to improve opportunities for these businesses. See p.38 for a description of a short-term loan program created for NIMCA members. Call (815) 987-5622 for further NIMCA information.

Contacts with other business people will also pay off in terms of keeping abreast with your business's marketing plan. Besides knowing your product/service and the benefits it offers to your customers/clients, you will gain insight into your competition by talking with other business people. Continue to pursue a target markets. You can never know your markets too well. Remember that markets are not static; they change constantly. The business owner who is prepared for these changes wins.

All Winnebago County merchants accepting checks for goods or services should familiarize themselves with COP, the county'' Check Offender Program. Jointly sponsored by the Rockford Are Chamber of Commerce, the Winnebago County State's Attorney's and Treasurer's Offices, and Evaluation Systems. Inc., COP has been highly successful in educating business people in measures they can take to protect themselves against NSF and Account Closed checks. COP also pursues those who write bad checks, make them pay up, and through a mandatory check offender class, get message of them not to write bad checks again. Contact the COP office (815-987-3149) for further information.

Also, keep in touch with bankers, especially those at the institution where your business deposits are kept. It is best to lay the groundwork early for a friendly banking relationship which could come in handy later if the company is growing too quickly and becomes temporarily "cash short."

Ask questions about your bank's lending policies. It is best to discover early, for example, that your bank will not consider a loan to a restaurant-type business without the availability of lien-free real estate as collateral. You may need to check with many financial institutions until you find one where you free comfortable with the banker and the bank's lending policies. Such a relationship cultivated early pays high dividends down the road.

The City of Rockford

Photo Credit: Kennedy Chesoli

The Mayor
Lawrence J. Morrissey – 2017 (I)
City Hall 425 E. State St. 61104
Telephone (815)-987-5590(O)
Fax (815) -967-6952

Council Members

1st Ward Alderman
Dr. Timothy Durkee 2017(R)
6373 Muirfield Lane, 61114
Telephone: (815)-637-6200 (O)
Fax: (815)-637-1998
Tim.Durkee@rockford.il.gov

2nd Ward Alderman
Jamie Getchius- 2017 (R)
1920 Hawthorne Avenue, 61107
Telephone: (815)-398-7504 (C)
Jamie.Getchius@rockfordil.gov

3rd Ward Alderman
Thomas McNamara 2017(D)
1047 Harlem Blvd. 61103
Telephone: (815) 262-6734 (C)
Thomas.McNamara@rockfordil.gov

4th Ward Alderman
Kevin Frost - 2017(R)
3423 Burlwood Drive, 61114
Telephone: (815) 978-0542(C)
Kevin.Frost@rockfordil.gov

5th Ward Alderman
Venita Hervey - 2017 (D)
1527 Clifton Ave., 61105
Telephone: (815)968-7682 (H)
Vernita.Hervey@rockfordil.gov

6th Ward Alderman
Marcus Hill- 2017(D)
4422 Sunbury Dr., 61109
Telephone: (815)-621-8632 (C)
Marcus.Hill@rockfordil.gov

7th Ward Alderman
Ann Thompson-Kelly, - 2017 (D)
804 Hoban Ave. 61101
Telephone: (815)-968-8389 (H/O)
Fax: (815)-968-4007
Ann.Thompson@rockfordil.gov

8th Ward Alderman
Jeanne Oddo- 2017 (D)
3216 Constance Drive. 61108
Telephone: (815) 375-0457(C)
Jeanne.Oddo@rockford.il.gov

9th Ward Alderman
Teena Newburg – 2017 (I)
3908 Packard Parkway, 61101
Telephone: (815)654-8752 (H)
Teena.Newburg@rockfordil.gov

10th Ward Alderman
Franklin C. Beach –2017 (R)
2916 Greenwood Ave. 61107
Telephone: (815)-399-3737(H)
Franklin.Beach@rockfordil.gov
Grandi123@aol.coom

11th Ward Alderman
Karen Elyea - 2017 (D)
1302 Broadway St., 61104
Telephone: (815)961-1795 (H)
Karen.Elyea@rockfordil.gov

12th Ward Alderman
John C. Beck- 2017 (R)
2004 Cumberland, 61103
Telephone: (815)961-1954 (H)
Telephone: (815)987-1636(O)
John.Beck@rockfordil.gov

13th Ward Alderman
Linda McNeely- 2017 (D)
2419 W. State St. 61102
Telephone: (815)-962-5424
Linda.McNeely@rockfordil.gov
Ald13mcneely@aol.com

14th Ward Alderman
Joseph V. Chiarelli – 2017 (R)
6358 Grassridge Road. 61108
Telephone: (815)721-2014 (C)
Joseph.Chiarelli@rockfordil.gov

Appendix A

Important Contacts

Business Advice
& Assistance

City of Rockford
Department of Community Development
City Hall, 2nd Floor
425 East State Street
Rockford, IL 61104
(815) 987-5600
www.ci.rockford.il.us

Rockford Area Economic Development Council
100 Park Ave
Rockford, IL 61101
(815) 987-8118
www.rockfordil.com

Small Business Development Center
Rock Valley College, Eiger Lab
605 Fulton Avenue
Rockford, IL 61103
(815) 921-2081
www.rockvalleycollege.edu

Rockford Local Development Corporation
120 West State Street, Suite 301
Rockford, IL 61101
(815) 987-8675
www.rldc.us

Service Corps of Retired Executives (SCORE)
605 Fulton Ave.
Rockford, IL 61103
(815) 962-0122
www.score.org

Department of Employment Security
401 South State Street, 4 North
Chicago, IL 60607
(312) 793-4880
www.ides.state.il.us

Rock River Training Corporation
Illinois Employment and Training Center
3134 – 11th Street
Rockford, IL 61109
(815) 395-6600, ext. 685
www.rockrivertraining.org

Dislocated Worker Program
Illinois Employment and Training Center
3134 – 11th Street
Rockford, IL 61109
(815) 395-6600, ext. 310
Rock Valley College
www.rockvalleycollege.edu

Procurement Technical Assistance Office
Technical Center
3301 North Mulford Road
Rockford, IL 61114
(815) 921-2091
www.aptac-us.org

Rock Valley College Tech Center
3301 North Mulford Road
Rockford, IL 61114
(815) 654-5500
www.rockvalleycollege.edu

Rockford Area Chamber of Commerce
308 W. State Street, Suite 190
Rockford, Illinois 61101
(815) 987-8100, ext.100
www.rockfordchamber.com

Technology Commercialization Office
Northern Illinois University
Dekalb, IL 60115
(815) 753-2117
Fax (815) 753-2117
www.grad.niu.edu/tco

Rock Valley College

Adult Education Center Program
4151 Samuelson Road
Rockford, IL 61109
(815) 874-3000, ext. 2008
www.rockvalleycollege.edu

Illinois First Stop Information Center
(800) 252-2923
(800) 785-6055
Email: firststop@illinoisbiz.biz
www.illinoisbiz.biz

Internal Revenue Service
General Info – (800) 829-1040
Publication – (800) 829-3676
www.irs.gov

Illinois Department of Revenue
101 West Jefferson Street
Springfield, IL 62708
(217) 782-7897
(800) 732-8866
www.irs.gov

IRS local office at
Illinois Department of Revenue,
200 South Wyman, Suite 306,
Rockford, IL 61101
(815) 987-5210
www.irs.gov

Illinois Workers' Compensation
Commission
100 West Randolph, #8-200
Chicago, IL 60601
(312) 814-6611 or
200 S. Wyman Street
Rockford, IL 61101
(815) 987-7292

www.state.il.us/AGENCY/IIC

International Trade Administration
Export Assistance Center
Rockford, IL 61103
Fax (815) 628-2571
(815) 621-1535
www.trade.gov/index.asp

Online Assistance

Web Addresses
Helpful for Small Business

Thousands of web sites exist on various topics of interest to small business. We have devised a representative site list to use as a beginning in an information search. We do not endorse the products of those commercial sites listed, but believe the factual information they present on various small business topics, exclusive of the products they sell, makes them worthwhile to include. Obviously, many other valuable sites exist. Following is a representative sample of what we found to be helpful Internet web addresses for small businesses:

U.S. Small Business Administration	www.sba.gov
IL DCEO First Stop Business Center	www.commerce.state.il.us
IL Department of Revenue (business registration information)	www.revenue.state.il.us/businessreg/
IL Manufacturers' Association	www.ima-net.org/
IL Secretary of State Business Services	www.sos.state.il.us
Rockford Area Chamber of Commerce	www.rockfordchamber.com
Rockford Area Council of 100	www.rockfordil.com
U.S. Copyright Office	www.lcweb.loc.gov/copyright/
U.S. Patent and Trademark Office	www.uspto.gov
U.S. Department of Commerce	www.doc.gov
Library of Congress	www.loc.gov
U.S. Census Bureau	www.census.gov
Bureau of Labor Statistics	www.bls.gov
U.S. Government Printing Office (Directory of Government Books and Documents)	www.access.gpo.gov
U.S. Business Advisor (sponsored by SBA)	www.business.gov
U.S. Federal Trade Commission	www.ftc.gov
U.S. Internal Revenue Service	www.irs.gov
International Trade Administration	www.ita.doc.gov
U.S. Department of Transportation Office of Small and Disadvantaged Business Utilization	http://osdbuweb.dot.gov
Women's Business Ownership, SBA	www.sba.gov/womeninbusiness/
Service Corp of Retired Executives	www.northernillinoisscore.org
National Business Association	www.nationalbusiness.org
National Foundation for Women Business Owners	www.nfwbo.org
Entrepreneur Magazine	www.entrepreneurmag.com
Minority Business Entrepreneur Magazin	www.mbemag.com
Business Resource Center	www.morebusiness.com
Idea Site for Business	www.ideasiteforbusiness.com
Nolo Press Self-Help Law Center	www.nolo.com/category/sb_home.html
eCommerce Weekly formerly Entrepreneurs Weekly	www.eweekly.com

Appendix B

State & Local Government Contacts

For Business Assistance

State of Illinois
State of Illinois Department of Commerce and Economic Opportunities (DCEO)

620 East Adams Street
Springfield, IL 62701
(217) 782-7500 (Switchboard)

100 West Randolph, Suite 3-400
Chicago, IL 60601
(312) 814-7179 (Switchboard)

Industrial Training Program Information – (217) 785-6284 or	(312) 814-2809
Prairie State 2000 Training Program Information	(312) 814-2700
Illinois First Stop Business Information Center	(800) 252-2923

City of Rockford

www.ci.rockford.il.us
(All phone numbers are in area code 815)

Building Permits	815- 987-5550
Business Licensing	815- 987-5516
Economic Development Division General Number	815- 987-5600
Community Development Block Grant Program	815- 987-5600
Information	815- 987-5600
Community Services Block Grant Program Information	815- 987-5600
Economic Occupation Permits	815- 987-5585
Liquor License Information	815- 987-5549
Planning Division	815- 987-5651
Property Standards	815- 987-5570
Public Works Department Building Permit Review	815- 987-5600
Small Business Loan Information	815- 987-5570
Traffic Counts	815- 987-5585
Zoning Information	815- 987-5585
Zoning Section Building Permit Review	

City Hall
425 East State Street
Rockford, IL 61104
(See Specific Numbers Above)

Rockford Area Chamber of Commerce
308 W. State Street, Suite 190
Rockford, IL 61101
(815) 987-8100, ext. 100

RAEDC
100 Park Ave
Rockford, IL 61101
(815) 987- 8118

Rockford Local Development Corporation
120 West State Street, Suite 301
Rockford, IL 61101
(815) 987-8675

Loves Park

www.loves-park.il.us

Loves Park requires all businesses to purchase a new business license. This is the city's way of ensuring all businesses are in accordance with the regulations.
The City Clerk, (815) 654-5034, can provide more information.

Business Licenses	815- 654-5034
Zoning	815- 654-5033
Building Regulations and Permits	815- 654-5003

City Hall
100 Heart Boulevard
Loves Park, IL 61111

Machesney Park

www.machesney-park.il.us

Permits, Zoning, Home Occupations, & Building Regulations 815 - 877-5432

Village Hall
300 Machesney Road
Machesney Park, IL 61115

Winnebago County

www.co.winnebago.il.us

Building	815- 987-3090
County Clerk	815- 987-3050
Planning and Economic Development	815- 987-2506
Zoning	815- 987-3093

Winnebago County Admin. Offices
404 Elm Street
Rockford, IL 61101
(815) 319-4375

Appendix C

Business Plan Outline

The following is a suggested outline of what a business plan should contain prepared by Ronald Moore, Economic Development Specialist with the City of Rockford, Department of Community Development.

I. Cover Letter

(a) Dollar amount requested (b) Terms and timing (c) Type and price of securities

II. Summary

(a) Business description
(1) Name (2) Location and plant description (3) Product (4) Market and competition (5) Management expertise

(b) Business goals (c) Summary of financial needs and application of funds (d) Earnings projections and potential return to investors

III. Market Analysis

(a) Description of total market (b) Industry trends (c)Target market (d)Competition

IV. Products Or Services

(a) Description of product line (b) Comparison to competitors' products
(c) Proprietary position: Patents, copyrights, and legal and technical considerations

V. Manufacturing Process

(a) Materials (b)Sources of supply (c)Production methods

VI. Marketing Strategy

(a) Overall strategy (b) Pricing policy (c) Sales terms (d) Method of selling, distributing and servicing products

VII. Management Plan

(a) Form of business organization (b) Board of directors composition
(c) Officers: Organization chart and responsibilities (d) Resume of key personnel (e) Staffing plan/number of employees (f) Facilities plan/planned capital improvements (g) Operating plan/schedule of upcoming work for next one to two years

VIII. Financial Data

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

Reading List

Additional information on Business Plan can be found in these publications available at the Rockford Public Library

1. U.S. Department of Commerce, Bureau of the Census. County Business Patterns. Illinois (most recent is based on 1997 economic census), in Business Reference at North Suburban Library, Loves Park.
2. Robert Morris Associates "Annual Statement Studies" (provides average financial ratios for various types of business).
3. Arkebauer, James B. The McGraw-Hill Guide to Writing a High-Impact Business Plan: A Proven Blueprint for Entrepreneurs. New York: McGraw-Hill, Inc. 1995.
4. Berle, Gustav and Paul Kirschnew. The Instant Business Plan, Twelve Quick and Easy Steps to a Successful Business, second edition. Santa Maria, CA: Puma Publishing CO., 1997.
5. Covello, Joseph and Brian Hazelgren. Your First Business Plan, third edition. Naperville, IL: Small Business Sourcebooks, Inc., 1998.
6. Fallek, Max. Business Plan Example. Minneapolis, MN: American Institute for Small Business, 1997.
7. Hendricks, Mark. Entrepreneur Magazine's Business Plans Made Easy. Irvine, CA: Entrepreneur Media, Inc. 1999.
8. Jacksack, Susan M., editor. Business Plans that Work for Your Small Business. Chicago: CCH, Inc. 1998.
9. Jenkins, Michael D. and the Entrepreneurial Services Group of Ernst & Young. Starting and Operating a Business in Illinois, A Step-by-Step Guide. Grants Pass, OR: The Oasis Press/PSI Research, 1996.
10. Lasher, William. The Perfect Business Plan Made Simple. New York: Prentice Hall, 1983.
11. Luther, William M. The Start-up Business Plan, A Prentice Hall Small Business Guide. New York: Prentice Hall, 1991.
12. Mancuso, Joseph. How To Prepare and Present a Business Plan. New York: Prentice Hall, 1983.
13. Mancuso, Joseph. Small Business Basics, second edition. Naperville, IL: Small Business Sourcebooks, Inc., 1998.
14. McKeever, Mike P. How To Write a Business Plan. Berkeley, CA: Nolo.com, September 1999.
15. Milling, Bryan E. How To Get A Small Business Loan. Naperville, IL: Small Business Sourcebooks, Inc., 1998.
16. Price, Courtney. 101+ Answers to the Most Frequently Asked Questions from Entrepreneurs. New York: John Wiley & Sons, Inc., 1999.
17. Sharma, Poonam. The Harvard Entrepreneurs Club Guide to Starting Your Own Business. New York: John Wiley & Sons, Inc., 1999.
18. Business Planning Guide in Spanish (available at Rockford Public Library): Bangs, Jr., David H. El plan de negocios: guia completa definir su producto, servicio, mercado y financiamiento. Chicago: Upstart Publishing Co., 1998.

Appendix D

What to Include in a Loan Request Packet

The following is a suggested outline for the contents of a loan package prepared by Ronald Moore, Economic Development Specialist, City of Rockford - Department of Community Development

Summary

(1) Nature of business (2) Amount and purpose of loan (3) Repayment terms (4) Equity share of borrower (equity/debt ratio after loan) (5) Security or collateral (Listed with market value estimates and quotes on cost of equipment to be purchased with the loan proceeds)

1. Personal Information

Information On individuals with more than 20% stake in the business is suggested to include Educational and work history; Credit references; Income tax statements (last three years); Financial statement (no older than 60 days)

2. Business (Firm's) Information

Depending on the type of your business below

New Business

(i) Business plan (see Appendix C) (ii) Life and casualty insurance coverage (iii) Lease agreement

Business Acquisition (Buyout)

1. Information on acquisition. Such as: Business history (include seller's name, reason for sale) ; Current balance sheet (not over 60 days old) ; Current profit and loss statements (less than 60 days old) ; Business' federal income tax statements (past three to five years) ; Cash flow statements for the last year ; Copy of sales agreement with breakdown of inventory, fixtures, equipment, licenses, goodwill and other costs; Description and dates of permits already acquired.
2. Business Plan (see Appendix C)
3. Life and Casualty insurance

Existing Business Expansion

(1) Information on existing business. To Include: Business history; Current balance sheet (not more then 60 days old); Current profit and loss statements (not more than 60 days old); Cash flow statements for last year ; Federal income tax returns for past three to five years ; Lease agreement and permit data (2) Business plan (see Appendix C) and (3) Life and casualty insurance

3. Business Projections

a) Profit and loss projection (monthly, for one year) and explanation of projections
b) Cash flow projection (monthly, for one year) and explanation of projections
c) Projected balance sheet (one year after loan) and explanation of projections

Tips on How to Get Your Loan Application Approved

- Submit a neatly prepared, complete application. Submitting a "rough draft," including crossed-out words and coffee-stained pages tells the banker that the owner doesn't take his or her business idea seriously.

- Submit current financial information. Outdated historical financial information or industry comparisons will leave doubts about the entrepreneur's planning abilities.

- Explain assumptions made in arriving at the projections in the business plan. The business owner must be prepared to explain the "whys" of ever point in the plan.

- Be realistic: consider possible pitfalls in the plan. Otherwise, the banker may conclude the business ideas are not practical.
- Be prepared to explain all parts of the application, including the financials. Even if an outside source is used to prepare the projections, the owner should fully comprehend the information.

- Consider outside influences, such as the effect of competition and the general economic environment, in a business application. It's called realism, once again.

- Be prepared to invest some equity capital in the business. If there is no indication that the owner has anything at stake in the venture, the banker wonders about commitment.

- Be prepared to personally guarantee any business loan. If the business owner isn't willing to stand behind his or her company, then why should the bank?

Frequently Asked Questions

♦ Building Department: Do I Need A Building Permit?

<u>One – and two-family Residential Construction-</u> For one- and two-family dwellings and accessory structures over 120 ft a permit shall be obtained before beginning construction, alteration or repairs, other than ordinary repairs that are nonstructural and do not involve replacement of mechanical, plumbing, or electrical systems.

<u>Commercial, Industrial, and Multiple-Family Construction-</u> For all other construction projects, a permit shall be obtained before beginning any of the following: construction or alteration to a structure over 120 sq. ft; construction of an addition; demolition or moving a structure; a change of occupancy classification; or installation or alteration of any equipment which is regulated by the codes.

♦ Building Department: Do I Need A Design Professional (Architect, Structural Engineer, Or Professional Engineer)?

<u>One- and Two-Family Residential Construction-</u> Construction documents need not be prepared by a design professional. However, a site plan (drawn to scale) is required for one- and two-family construction projects.

*<u>Commercial, Industrial, and Multiple-Family Construction</u> - Construction documents prepared, sealed, signed, and dated (current date and date of license expiration) by an Illinois licensed design professional **are required** for all commercial, industrial and multiple-family projects involving new construction additions and alterations with structural or life safety changes. Where construction or alterations exceed $50,000 in cost (as defined by the Environmental Barriers Act of Illinois), documents shall have statement of a design professional that the plans comply with the Environmental Barriers Act. What documents each design professional may prepare is determined by State law and the training and expertise of the professional. Contact the Building Department with questions*

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♦ Building Department: What Do I Do Next?

<u>One- and Two-Family Residential Construction</u> - Complete and application, submit site plan for Zoning review, pay a fee, obtain required permits (building, mechanical, plumbing, and electrical), start the project and call to schedule inspection(s) required by current codes.
<u>Commercial, Industrial, and Multiple-Family Construction</u> - Complete an applications, submit construction documents for review, respond as necessary to the review report, pay the fee, obtain required permits, start the project and call to schedule all inspections required by current codes.