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Know why you are going into business

- Picture your business 10 years from now and you'll see the real reason why you are going into business, today. If in 10 years you see yourself selling a thriving business and retiring to Madagascar, you are going into business to build a long-term asset that will allow you to retire carefree. If in 10 years you see yourself still running your business and think you'll stick around till you die, your business is your life! Think ahead!

The purpose of your business is to stay in business

- Vendors, customers, employees, landlords, government officials, other businesses, trade organizations, your family, and members of your community will all develop a mutually-beneficial relationship with your business. They will all count on you to stay in business for the long haul. Persevere!

Every business decision has a tax consequence

- The best expense you'll ever incur will be to consult a tax accountant. He/she can help you choose your business' legal structure and guide you to conduct your business in a manner that minimizes your tax liabilities and saves you money. Don't sell your business short!

Business loans are about relationships, not just money

- Apply for a loan with the lender with whom you've been saving your money, making mortgage or credit card payments, or writing checks. Applying for a loan from a bank in whose lobby you've never set foot before, is asking to have your application rejected. Relate to lenders, they are people, too!

The cure for bad credit is time

- It is not about how many debts you have when you apply for a loan, it is about whether or not you are meeting the monthly payments for those liabilities regularly over a period of time. Bad credit? Bite the bullet and pay your debts without fail monthly over a period of at least one to two years. Your credit score will improve and you'll change your spending habits. Take charge!

Every aspect of your business is affected by government regulations

- Regulations are meant to protect the environment, hold professionals to standards, and to protect the public's health, safety, and rights—including your's, and that of your employees and customers. Keep in mind that you can always petition a government agency to review, amend, or repeal a harmful or burdensome. Get involved!

All small businesses hang by their nails at one point or another

- If being a business owner were easy, everyone would be one. At one point or another, something beyond your control—market downturn, Act of God, rising fuel prices, changing tastes—will hit your business hard and keep you awake at night. Have a Plan B ready before that happens. Hang on!

The competition is your best friend

- Competition keeps you motivated and challenged to do better. Don't be discouraged by competition, no matter how good they look or seem to be doing. If they come up with an idea, keep an eye on it. If it works for them, don't copy it, but think rather in terms of how you could build on it, or come up with something totally different. Be original!
So you want to start a business...

1. You need a good business concept.
2. You have to be willing to work hard, very hard.
3. You need to stay motivated when things get difficult and don’t promise much.
4. You need to be able to get along with your customers, vendors, neighbors, competitors, government inspectors, beggars, etc.

Starting and operating your own business means being the boss, and being the boss means doing whatever it takes to keep the business in business. Such as:

1. Making all business decisions.
2. Working as the receptionist, the errand-runner, the janitor, the repairman, and everything else it takes to open for business every day – until you are able to hire staff.
3. Selling your product or service to your customers.
4. Keeping the books.
5. Even if you can afford to hire a bookkeeper, you must know enough about bookkeeping to be sure that the necessary tasks are being done.
6. Collecting payments from customers.
7. Hiring, firing, and supervising employees.
8. Understanding the legal and regulatory aspects of your business.
9. Complying with paperwork required by regulations.

Starting a small business can take over your life. In the early stages, you may be doing everything yourself, running the business from your home and relying on family members as unpaid staff. Your success will require the support of your family, and their willingness to make sacrifices along with you in order to see the business succeed.
Get valuable insight and guidance

Start by developing a roadmap of where you are at, and where you want to go, and how you are going to get there. There are many, many free services and resources that can be your sounding board and can guide you during the planning stages of your business, when you open your doors, and throughout the lifetime of your business.

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<th>Email or Website</th>
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<td>Small Business Development Center</td>
<td>907-274-7232</td>
<td><a href="http://www.aksbdc.org">www.aksbdc.org</a></td>
</tr>
<tr>
<td>Small Business Development Center – Buy Alaska Program</td>
<td>907-274-7232</td>
<td><a href="mailto:stella@buyalaska.com">stella@buyalaska.com</a></td>
</tr>
<tr>
<td>SBDC TREND Alaska</td>
<td>907-274-7232</td>
<td><a href="http://trendalaska.org">http://trendalaska.org</a></td>
</tr>
<tr>
<td>Small Business Development Center – Procurement Technical Assistance Center (PTAC)</td>
<td>907-274-7232</td>
<td><a href="http://www.ptacalaska.org">www.ptacalaska.org</a></td>
</tr>
<tr>
<td>State of Alaska Dept of Labor &amp; Workforce Development, Business Connection</td>
<td>907-269-4774</td>
<td><a href="mailto:nancyheckmann@labor.state.ak.us">nancyheckmann@labor.state.ak.us</a></td>
</tr>
<tr>
<td>Service Corps of Retired Executives (SCORE)</td>
<td>907-271-4022</td>
<td><a href="mailto:aaws@customcpu.com">aaws@customcpu.com</a>, <a href="http://www.akscore.org">http://www.akscore.org</a></td>
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<tr>
<td>Social Security Administration</td>
<td>907-271-4846</td>
<td><a href="mailto:katherine.zuleger@ssa.gov">katherine.zuleger@ssa.gov</a></td>
</tr>
<tr>
<td>State of Alaska Dept of Labor &amp; Workforce Development, Wage and Hour</td>
<td>907-269-4902</td>
<td><a href="mailto:charlotte_hughes@labor.state.ak.us">charlotte_hughes@labor.state.ak.us</a>, <a href="http://www.labor.state.ak.us/lswr/home.htm">www.labor.state.ak.us/lswr/home.htm</a></td>
</tr>
<tr>
<td>State of Alaska Dept of Labor &amp; Workforce Development, Occupational Safety and Health</td>
<td>907-269-4944</td>
<td><a href="mailto:danny_sanchez@labor.state.ak.us">danny_sanchez@labor.state.ak.us</a></td>
</tr>
<tr>
<td>Anchorage Chamber of Commerce</td>
<td>907-272-2401</td>
<td><a href="mailto:info@anchoragechamber.org">info@anchoragechamber.org</a>, <a href="http://www.anchoragechamber.org">www.anchoragechamber.org</a></td>
</tr>
<tr>
<td>State Chamber of Commerce</td>
<td>(907) 278-2727</td>
<td><a href="mailto:treinhart@alaskachamber.com">treinhart@alaskachamber.com</a></td>
</tr>
<tr>
<td>Alaska B[a] Association</td>
<td>907-264-6724</td>
<td><a href="mailto:lewindberg@8aonline.org">lewindberg@8aonline.org</a>, <a href="http://www.8aonline.org/esa@8aonline.org">http://www.8aonline.org/esa@8aonline.org</a></td>
</tr>
<tr>
<td>Alaska Business Development Center</td>
<td>907-562-0335</td>
<td><a href="mailto:megan@abdc.org">megan@abdc.org</a></td>
</tr>
<tr>
<td>YWCA Women$finances</td>
<td>907-644-9612</td>
<td><a href="mailto:areynolds@ywcaak.org">areynolds@ywcaak.org</a></td>
</tr>
<tr>
<td>IRS – Small Business Forms and Q&amp;A</td>
<td></td>
<td><a href="http://www.irs.gov/smallbiz">www.irs.gov/smallbiz</a></td>
</tr>
<tr>
<td>IRS – Stakeholder Liaison</td>
<td>907-271-6458</td>
<td><a href="mailto:marie.e.lozano@irs.gov">marie.e.lozano@irs.gov</a></td>
</tr>
<tr>
<td>IRS – Taxpayer Advocate</td>
<td>907-271-6877</td>
<td><a href="mailto:kristia.a.dowd@irs.gov">kristia.a.dowd@irs.gov</a></td>
</tr>
<tr>
<td>IRS – Stakeholder Liaison (Bank Secrecy Act)</td>
<td>9010-637-2621</td>
<td><a href="mailto:terri.malone@irs.gov">terri.malone@irs.gov</a></td>
</tr>
<tr>
<td>Taxpayer Advoccy</td>
<td>888-912-1227</td>
<td><a href="http://www.improveirs.org">www.improveirs.org</a></td>
</tr>
<tr>
<td>Tanana Chiefs Business Development Center</td>
<td>(907) 452-8251 or 1-800-478-6822</td>
<td><a href="http://www.tcbusinessdevelopment.com/">http://www.tcbusinessdevelopment.com/</a></td>
</tr>
<tr>
<td>ARDOR (Alaska Regional Development Organization)</td>
<td>907) 269-4587</td>
<td><a href="http://www.commerce.state.ak.us/dca/ardor/ardor.htm">http://www.commerce.state.ak.us/dca/ardor/ardor.htm</a></td>
</tr>
<tr>
<td>U.S. Social Security for Small Businesses</td>
<td></td>
<td><a href="http://www.socialsecurity.gov/employer">www.socialsecurity.gov/employer</a></td>
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</tbody>
</table>
Test before you launch

You just know your business concept will work! Everyone will buy it. Nobody else is doing it, and Alaska is just ready for it. You will be your own boss, set your own hours, and take orders from no one. You'll be doing exactly what you love in life and getting paid to do it. You'll be spending some money on it, but you'll be making a living and maybe even profits in return.

Before you buy that business license, print those business cards and brochures, lease that space, or buy insurance, take the time to test your idea. Hold its feet to the flame. If it is a solid one, it will withstand a tough inquiry and you can bank on it. If it has some weaknesses it may need some modifications in order for it to work. And if it doesn't work, you'll have to be brave enough to discard it and trust that you will think of something else.

The Test:

1. What is my concept?
2. Does my idea meet a consumer or business-to-business need?
3. What am I really, really selling?
4. What will it look like?
5. How am I going to sell it? Where? When?
6. Who is doing the same thing or something similar?
7. How much will it cost to launch?
8. If I build it, will they buy?

Most of these questions you can answer by examining the idea from every possible angle. Others will require some legwork, research and directly asking people what they think.
What is my concept?

Whatever it is, it is not new. Someone else, somewhere else, has already dreamt your dream, they've put it to the test, launched it, and either succeeded or failed. Don't despair. Think in terms of "How does my concept stand out or differ from all that has come before it, or is already here"? Is it a new type of watch? Is it a humongous super-king-size bed?

Does my idea meet a consumer or business-to-business need?

The basic needs of a human being are: air to breathe, water to drink, food for nourishment, and shelter for protection. However, being social animals, we also need love, approval, and acceptance into the fold. Which translates into millions and millions of needs that are socially dependent. For example: to look your best, to make money, to have the latest car, to have children reared in a good school, to be the coolest, tallest, thinnest, smartest, to stay young forever, to feel safe, to wear only red shoes, to make a living, to be comfortable, have perfectly white teeth.

The basic needs of a business are product or service, capital, personnel, location, materials, sound finances, good government relations. From there there are millions and millions of business needs that are business-dependent, for example: a laundry service needs delivery, an oil company needs security officers to patrol its installations, an assisted living home needs bookkeeping and tax preparation.

Ask yourself which of the many consumer or business needs is your product or service going to meet. Why would people or businesses buy what you have to sell? The answer should be "because they need it", or "because if they don't know they need it, I have a marketing plan that will successfully sell them the idea that they really need it."

What am I really, really selling?

Whether you are an airline business, a pancake house, a cigar shop, or an accounting firm, you are selling something. Let's say that in your case you are physically selling a talking watch, one that tells you and those around you the time in actual words "It is 12 and 30 minutes a.m..." Now think again, what are you really selling? Is it a reminder system? A gag item? A time-saving gadget? A status symbol? An assistive device for the visually-impaired?

1. If a reminder system, who'd buy it? - Busy professionals ages 21-30.
2. If a gag item, who'd buy it? - Teenagers and high schoolers.
3. If a time-saving gadget, who'd buy it? Busy professionals ages 30-45.
4. If an assistive device for visually-impaired, who'd buy it? Visually impaired individuals age 18-78+, who have the income to buy it, or have medical coverage that pays for the item.

Who needs it, and how many of these buyers are there?

You decide that your talking watch is really a gag. Who needs this gag? Entertainers? Magicians? Teenagers? Men? Women? At Valentine's Day? For Christmas? Just how many of these buyers are there, 25 or 24,000? How much money do they usually spend on gadgets? Where do they shop for their gadgets, locally or online? Where are they located? Would they shop in downtown Anchorage, or would they rather shop online?
What will it look like?

It will be large, hot pink, with a face in the shape of lips talking! No, it will be square, brown with leather straps and leather framed face. No, it will look just like a super-expensive Swiss watch with a gold bracelet and will come in a fancy velvet covered box.... The way it looks will have a bearing on the costs to make it and sell it, and on how you market it to the world.

How am I going to sell it? Where? When?

You have figured out that the potential buyers are more bound to buy online. So, you will create a website with a good shopping cart, security to take credit cards, etc. You will name it “Talk to Me.com.” I will have the site ready by November of this year in order to take advantage of the Holiday rush! How you sell it will also have a bearing on your costs. It will be quite cheaper to sell online than to lease and insure retail space in a city mall. Remember, if you sell online, you are going global and will need to consider the costs of currency exchanges, international shipping, etc.

Who is already doing exactly the same thing, or something very similar, or something related to my idea?

If you think there are no competitors, think again. Competitors can come in unexpected ways. For example: there is a site called WhispertoMe.com that sells all kinds of talking gadgets, ranging in price from $2.50 to $250. There is Swisslookinggag.com a watch that blows a kiss at the wearer, and is priced at $17.99. There is a local store SingMetoSleep that sells singing watches at $20.00 each.

You have to think in terms of “why would the consumers buy these watches from me, instead of from these other guys”? How can you compete with these other gadgets? Because your watches are all pink instead of all colors of the rainbow? Because your watches are cheaper and more affordable than the competition’s gadgets? Because your watches are larger and easier to read and hear? Think in terms of what differentiates your product from theirs, and based on that difference, what can you do to attract buyers to your product and away from theirs.

Consider that we are in the age of partnering, outsourcing and collaboration. Head-on competition is becoming less prevalent as business owners realize that “if you join them, you both might profit.” Consider that you could partner successfully with WhispertoMe.com or SingMetoSleep and sell your watches wholesale to them rather than one at a time just through your website.
If I build it, will they buy and for how much?

Ask them. Ask everyone with whom you come in contact. Tell them that you have a talking watch and ask each one of them all the same questions:

1. Would you buy a talking watch if it was available locally?  ___YES ___NO
2. Would you buy it if it was available online, only ___YES ___NO
3. How much would you be willing to pay? ___$25 ___$50 ___$100
4. How many would you buy at that price? ___1 ___3 ___More than 3
5. Any comments or suggestions? __________________________________________

So, it looks like your business concept will work!

You conclude that your wonderful talking watch idea has great potential because there are tons of entertainers and magicians in Alaska, and the teenagers you surveyed said they would love a talking watch with the condition that it be a programmable talking watch so they can put in their own phrases. Your concept seems promising, with some tweaking. Maybe you'll have two different types of watches. Maybe you'll make them both programmable. Whichever you chose, your work is cut out for you, thanks to the valuable research you did. When you are ready to launch you'll feel confident that you'll succeed.
Figure out what it will cost to start

Start-Up Costs
To put your idea into motion, make a list of every single thing that you will need to get that first watch to a buyer.

You determine that you have to create a website with security and a shopping cart, and that it will cost approximately $10,000. There are no local manufacturers that can make these watches so you have to have the product created in China, 15,000 watches minimum at a time, you get to decide how you want then packaged and labeled.

In order to start your business you need to have China manufacture for you 15,000 watches at $2 a watch. That means at a minimum you need $30,000 cash to start your business. Then to that $30,000 you have to add the cost of designing and producing the packaging for each watch. Do you want the 15,000 watches to be shipped to you in baggies, individual boxes or blister packages? What will these packages look like? Will the cost include bar coding, shipping and handling, freight, customs fees, etc. So you decide that the total to start out with the first batch will be:

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<td>Attorney or CPA documents fees</td>
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$35,825
$22,450
$58,275 Your total start up costs
Operating Costs

Now, do a break-even analysis—a rough estimate of what level of monthly sales will be needed for your business to work out. The break-even point is the amount of sales that will cover all your costs of doing business, before there is any profit.

**Fixed Monthly Expenses** - First, add up your fixed costs for a month—those that you have to pay in full and are non-negotiable even if you are in the red.

**Costs of Goods Sold** - Next, add up your costs of doing business (COGS) per one unit of product. COGS are expenses that make up the cost of the items you sell, or costs that increase and decrease with the amount of sales. Your COGS might be the wholesale price of an item that you purchase to sell, or it might be the costs of supplies and labor for an item that you make.

Labor may be a fixed cost, such as a salary for the business owner. Labor costs may also be variable costs, such as when the business is providing a service and the variable cost is the time spent providing the service. Fixed cost may also include an amount to cover the cost of equipment.

**Variable Expenses** – Third add in the variable expenses which you can control up to a certain point by buying less or more of them, or skipping them altogether.

Finally add all the fixed, COGS and variable expenses. These costs have to equal your income from sales of talking watches in order for you to break even.

Next you have to figure out, how many talking watches, and at what price you need to sell each month in order to cover your out of pocket monthly costs—break-even (Appendix B). If your calculation is that you need to sell 2,000 watches every month to break even, you need to ask yourself, if realistically you can sell that many watches each month, or do I need to adjust the price and consider lowering my costs somehow.
Find out what licenses and/or permits you’ll need

Please note that this list covers the basic requirements common to most businesses. Be sure to check for additional requirements specific to your location or industry.

Alaska Business License

Anyone who engages in a business activity in Alaska must have a state business license for that activity. If the activity includes tobacco sales, a tobacco endorsement is also required. Business licenses are available from:

Division of Corporations, Business and Professional Licensing
Department of Commerce, Community and Economic Development
P.O. Box 110806
Juneau, AK 99811 http://www.commerce.state.ak.us/occ/home.htm
Juneau (907) 465-2550
Anchorage (907) 269-8173

Professional License

Some types of work require a professional license. Licensing ensures that professional standards are maintained, and that the safety of the public is protected. State and federal agencies involved in professional licensing are as follows:

Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
P.O. Box 110806
Juneau, AK 99811
Phone (907) 465-2534
Fax (907) 465-2974
http://www.commerce.state.ak.us/occ/home.htm

Professional licenses are required for any of these professions:

- Acupuncturists
- Architects, Engineers, and Land Surveyors
- Audiologists and Speech-Language Pathologists
- Barbers and Hairdressers
- Big Game Guides and Transporters
- Chiropractic Examiners
- Collection Agencies
- Concert Promoters
- Construction Contractors
- Dental Examiners
- Dietitians and Nutritionists
- Dispensing Opticians
- Electrical Administrators
- Euthanize Domestic Animals
- Geologists
- Guardians and Conservators
- Hearing Aid Dealers
- Home Inspectors
- Marine Pilots
- Marital and Family Therapy
- Mechanical Administrators
- Medical Board
- Morticians
- Naturopathy
- Nursing
- Nursing Home Administrators
- Optometry
- Pharmacy
- Physical Therapy and Occupational Therapy
- Professional Counselors
- Psychologist and Psychological Associate
- Public Accountancy
- Real Estate
- Real Estate Appraisers
- Social Work Examiners
- Underground Storage Tank Worker
- Veterinary Examiners
Mechanical Inspection Section
Division of Labor Standards and Safety
Department of Labor and Workforce Development
3301 Eagle Street #302
Anchorage, AK 99503
Phone (907) 269-4925
Fax (907) 269-4932
http://labor.state.ak.us/lss/lssforms.htm

Licensing for the following occupations:
Plumber
Electrical Worker
Boiler Operator
Hazardous Paint Handler
Explosives Handler
Asbestos Removal Worker

Wage and Hour Administration
Division of Labor Standards and Safety
Department of Labor and Workforce Development
1111 West 8th Street, Room 304
Juneau, AK 99801
Phone (907) 465-4855
Fax (907) 465-6012
http://labor.state.ak.us/lss/home.htm

Licensing for the following occupation:
Employment Agency Operator

Division of Banking and Securities
Department of Commerce, Community, and Economic Development
P.O. Box 110807
Juneau, AK 99811
Phone (907) 465-2521
Fax (907) 465-1230
http://www.commerce.state.ak.us/bsc/home.htm

Licensing for the following occupation:
Investment Broker-Dealer and related occupations
Mortgage Lender (Alaska Legislative Session 2006)

Division of Insurance
Department of Commerce, Community, and Economic Development
P.O. Box 110805
Juneau, AK 99811
Phone (907) 465-2515
Fax (907) 465-3422
http://www.commerce.state.ak.us/insurance/

Licensing for the following occupation:
Insurance occupations
Division of Public Assistance
Department of Health and Social Services
Phone (907) 269-4600 or 1-800-764-9466 (message) Fax (907) 269-1064
http://www.hss.state.ak.us/dpa/programs/care/licensing.html

Licensing for the following occupation:
Child Care Provider (includes day care centers and child care homes)

Teacher Certification
Department of Education and Early Development
801 West 10th Street, Suite 200
Juneau, AK 99801
Phone (907) 465-2831
Fax (907) 465-2441
http://www.eed.state.ak.us/teachercertification/

Licensing for the following occupation:
Teacher

Division of Administrative Services
Department of Fish and Game
P.O. Box 25526
Juneau, AK 99802
Phone (907) 465-6085
Fax (907) 465-6078
http://www.adfg.state.ak.us/license/

Licensing for the following occupations:
Commercial Crewmember
Sport Fish Business Owner and Guide

Alcoholic Beverage Control Board
Department of Public Safety
5848 E. Tudor Road
Anchorage, AK 99507
Phone (907) 269-0350
Fax (907) 272-9412
http://www.dps.state.ak.us/abc/

Training certification for the following occupation:
Alcohol Server

Division of Motor Vehicles
Department of Administration
1300 W. Benson Blvd., Suite 200
Anchorage, AK 99503
Phone (907) 269-5551
http://www.state.ak.us/dmv

Licensing for the following occupation:
Commercial Motor Vehicle Operator
Section of Community Health and Emergency Medical Services
Division of Public Health
Department of Health & Social Services
P.O. Box 110616
Juneau, AK 99811-0616
Phone (907) 465-3027
Fax (907) 465-6736
http://www.chems.alaska.gov/EMS/certification.htm

Certification for the following occupation:

Emergency Medical Technician

Pesticide Control Program
Division of Environmental Health
Department of Environmental Conservation
1700 E Bogard Road, Bldg B, Suite 202
Wasilla, AK 99654
Phone (800) 478-2577
Fax (907) 376-2382
http://www.dec.state.ak.us/eh/pest/

Licensing/certification for the following occupation:

Pesticide Applicator

Operator Training and Certification Program
Division of Water
Department of Environmental Conservation
410 Willoughby Avenue, Suite 303
Juneau, AK 99801
Phone (907) 465-5143
Fax (907) 465-5177
http://www.dec.state.ak.us/water/opcert/index.htm

Licensing for the following occupation:

Water and Wastewater Systems Operator

Permits and Licensing Unit Division of Statewide Services
Division of Public Safety
5700 East Tudor Road
Anchorage, AK 99507
Phone (907) 269-0393
Fax (907) 269-5609
http://www.dps.state.ak.us/PermitLicensing/

Licensing for the following occupations:

Security Guard
Process Server
Board of Governors Alaska Bar Association
P.O. Box 100279
Anchorage, AK 99510
Phone (907) 272-7469
Fax (907) 272-2932
http://www.alaskabar.org

Licensing for the following occupation:
Attorney

Commercial Fisheries Entry Commission
8800 Glacier Highway #109
Juneau, AK 99801
Phone (907) 789-6160
Fax (907) 789-6170
http://www.cfec.state.ak.us

Licensing for the following occupation:
Commercial Fisher (includes sport fishing)

Division of Sport Fish
Department of Fish and Game
333 Raspberry Road
Anchorage, AK 99518-1599
Phone (907) 267-2369
Fax (907) 267-2422
http://www.sf.adfg.state.ak.us/statewide/Guides/Guideforms.cfm

Licensing for the following occupations:
Sport Fishing Guides
Sport Fishing Charters

Federal Aviation Administration
U.S. Department of Transportation
222 West 7th Ave
Anchorage, AK 99513
Phone (907) 271-5514
Fax (907) 271-1665
http://www.alaska.faa.gov

Licensing for the following occupations:
Aircraft Pilot
Aircraft Mechanic
Aircraft Dispatcher
Office of Marine Safety
U.S. Coast Guard
2760 Sherwood Lane #2A Juneau, AK 99801
800 E Dimond Blvd, Suite 3-227 Anchorage, AK 99515
Phone (907) 463-2458 Phone (907) 271-6736
http://www.uscg.mil/stcw/

License for the following occupations:
Charter Boat Operator
Merchant Marine

U.S. Customs and Border Protection
U.S. Department of Homeland Security
605 West 4th Avenue, Room 203
Anchorage, AK 99501
Phone (907) 271-2675
Fax (907) 271-2684
http://www.cbp.gov/xp/cgov/home.xml

License for the following occupation:
Customs Broker and related occupations

Environmental Protection Agency
U.S. Department of Energy
1200 Sixth Avenue
Seattle, WA 98101
Phone 1-800-424-4372
http://www.epa.gov

License for the following occupations:
Freon Technician,
Certified Motor Vehicle Air Conditioning Technician
Permits

Environmental Permit
Some businesses will need permits from the Alaska Department of Environmental Conservation. Just a few examples of the types of businesses that may need permits are bed & breakfasts, barber shops, food processors, and businesses using pesticides. A list of forms and permit applications is available at http://www.dec.state.ak.us/eh/forms.htm

For help determining what permits you may need, contact:

Department of Environmental Conservation
555 Cordova Street
Anchorage, AK 99501
Phone (907) 269-7501 or 1-800-510-ADEC Fax (907) 269-7510

NOTE: Each municipality may have additional permit requirements.

Occupational Safety
Standards for occupational safety and health are administered by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development. The Wage and Hour Administration enforces labor laws. The Mechanical Inspection Section inspects and certifies amusement rides, boiler and pressure vessels, elevators, and electrical and plumbing installations. The Occupational Safety and Health Section protects workers from job-related accidents and illnesses. For more information, contact:

Division of Labor Standards and Safety
Department of Labor and Workforce Development
1111 West 8th Street, Room 304
Juneau, AK 99801
Phone (907) 465-4855
Fax (907) 465-6012
http://labor.state.ak.us/iss/home.htm

Alcoholic Beverage Licenses and Permits
The Alcoholic Beverage Control Board controls the manufacture, barter, possession, and sale of alcoholic beverages in Alaska. The Board issues liquor licenses, and permits for catering, restaurants, and special events. For more information, contact:

Alcoholic Beverage Control Board
Department of Public Safety
5848 E. Tudor Road
Anchorage, AK 99507
Phone (907) 269-0350
Fax (907) 272-9412
http://www.dps.state.ak.us/abc/
Tobacco License

The Department of Revenue issues licenses for trade in tobacco products, including retailers and vending machine operators. Information on licensing and bonding for trade in tobacco products is available from:

Tax Division
Department of Revenue
P.O. Box 110420
Juneau, AK 99811
Phone (907) 465-2320
Fax (907) 465-2375
http://www.tax.state.ak.us/programs/tobacco/index.asp

State Bonded Warehouse License
(for alcoholic beverage warehouses)

A license from the Department of Revenue is required to operate an alcoholic beverage warehouse. Information is available from:

Tax Division
Department of Revenue
550 West 7th Avenue, Suite 500
Anchorage, AK 99501
Phone (907) 269-6620
Fax (907) 269-6644
http://www.tax.state.ak.us/programs/alcohol/index.asp

Alaska Seafood Processor and Exporter License

A single "Intent to Operate" license and permit for seafood processors and exporters is available that covers the requirements for Department of Revenue, Department of Environmental Conservation, and Department of Fish and Game. The application must be completed by anyone who:

- receives, prepares, processes, or transports a seafood or fishery product, including roe recovery, to sell for human consumption.
- custom processes a seafood or fishery product.
- has a seafood or fishery product custom processed for them.
- transports an unprocessed seafood or fishery product outside of Alaska.

The application and instructions are available from:

Tax Division Department of Revenue P.O. Box 110420
Juneau, AK 99811
Phone (907) 465-4683
Fax (907) 465-2375
http://www.tax.state.ak.us/programs/fisheries/index.asp
Mining License
Mining licenses are issued by Department of Natural Resources for all mining operations including sand and gravel. Information is available from:

Division of Mining, Land, and Water
Department of Natural Resources
550 West 7th Avenue, Suite 900B Anchorage, AK 99501
Phone (907) 269-8647
Fax (907) 269-8949
http://www.dnr.state.ak.us/mlw

Qualified Dealer License
(for motor fuel dealers)
Motor fuel wholesalers and distributors obtain a qualified dealer license from the Department of Revenue. Information is available from:

Tax Division
Department of Revenue
550 West 7th Avenue, Suite 500
Anchorage, AK 99501
Phone (907) 269-6642
Fax (907) 269-6644
http://www.tax.state.ak.us/programs/motorfuel/index.asp
Consider your financing options

Initial financing should be enough to cover the costs of setting up your business location, equipment and furnishings, and inventory. Also be sure to have enough money to cover the costs of operations until the business' cash flow meets your requirements – both for the business and for yourself.

Once you know how much money you need to get started, where do you find it? Common sources of business financing are:

- personal savings
- family and friends
- bringing in a partner
- banks and credit unions
- faith-based programs

But don’t overlook:

- credit from vendors and suppliers
- equipment leasing
- venture capital

In general, grants are not available to individuals for starting a business.

Take stock of your personal assets such as savings, investments, availability of credit, equity in your home, and see what can be used to start your business. Raise money by selling some valuables... try eBay. While you may not have enough money in your pocket to cover all your start-up needs, be prepared to use your own money if you are someone else for a loan. Other sources of financing are going to expect you to put your own money or property at risk, along with theirs.

Financing comes in two basic forms — debt and equity.

- **Debt financing** is money that will be paid back on specified terms. A bank loan represents debt financing.

- **Equity financing** is giving up a portion of the ownership of the business in exchange for financing.

Venture capitalists — individuals or companies that invest money in private businesses, provide equity financing.

**Loans; The 5 C’s of Credit**

Every lending institution will have paperwork requirements, which generally include a copy of your business plan. In general, the lending institution will evaluate your request on the basis of the 5 C’s of Credit:

- **CAPITAL** — the amount of your own money invested in the business.
- **CHARACTER** — your reputation in business matters, including your credit history.
- **CAPACITY** — your credit limit and the cash flow available to repay the loan.
- **COLLATERAL** — assets pledged as security for the loan. Guarantees — someone else’s promise to repay the loan if you don’t — can also serve as collateral.
- **CONDITIONS** — the intended uses of the loan, and the business environment in which you will be operating.

Be prepared and organized when approaching a lender. In addition to having a copy of your business plan available, be prepared to tell the lender how much money you need, what you need it for, how much of your own money you are going to put in, and how you will pay the lender back.
Applying for that Loan

Check out the current loans made by several institutions and compare interest rates and terms. Pick the ones that best meet your needs or preferences—hopefully you will have done business with them, already. You can either download almost any loan application from the institutions' websites, or ask any loan officer for an application packet. The latter works best because you have the advantage of a face-to-face contact with the banker. You can share your business concept with him/her at which time, he/she might already tell you whether their institution makes loans to your particular type of business. If it does, then let him/her know that your application will be forthcoming complete with a business plan, and all financial documents.

Fill in the application, completely. Call the banker and ask for clarification on anything you don’t understand in the application. Make sure you attach ALL documents required by the application. Mail your completed application, or if possible, hand-deliver it to the banker.

Commercial banks are the most common source of business loans. Other sources include revolving loan funds, state or federal loan funds, and local revolving loan funds from the Alaska ARDOR for your area.

You can also contact the following agencies and organizations for more information about business financing programs. For programs that fit your business proposal, be sure to ask for current information about terms and conditions, the availability of funds, and application procedures.

**Alaska Division of Investments**
Department of Commerce, Community, and Economic Development
P.O. Box 34159, Juneau, AK 99803-4159
Phone (907) 465-2510, Fax (907) 465-2103,
In Anchorage (907) 269-8150 Fax (907) 269-8147

**The Rural Development Initiative Fund (RDIF)**
Available only to businesses located in a community with a population of 5,000 or less. Loans must result in the creation or retention of jobs in the community.

**Alaska Growth Capital**
3900 C Street, Suite 302
Anchorage, AK 99503
Phone (907) 339-6760 or toll-free 1-888-315-4904
Fax (907) 339-6771
http://www.alaskagrowth.com

Alaska Growth Capital provides loans to viable businesses that banks consider too risky. Alaska Growth Capital also makes equity investments in businesses by buying stock in the company, and makes hybrid loans that combine the features of debt and equity financing.

**Alaska Industrial Development and Export Authority (AIDEA)**
813 W. Northern Lights Blvd. Anchorage, AK 99503
Phone (907) 269-3000 or toll-free 1-888-300-8534
Fax (907) 269-3044
http://www.aidea.org\
AIDEA’s Loan Participation Program increases the availability of financing by purchasing a portion of a loan from a financial institution. AIDEA’s portion of the loan may offer a lower interest rate or a longer term than the bank’s portion. Application to the Loan Participation Program is made after the loan is approved by the financial institution.

U.S. Small Business Administration
510 L Street, Suite 310
Anchorage, AK 99501
Phone (907) 271-4022 or toll-free 1-800-755-7034
Fax (907) 271-4545
http://www.sba.gov/ak/

The SBA’s 7(a) Loan Guaranty Program is available to most small businesses, and provides a guaranty of up to 85% of loans in the amount of $150,000 or less. For larger loans, the maximum guaranty is 75%. Most private sector lenders are familiar with the SBA program.

The 504 Loan Program provides financing through a Certified Development Company (CDC), a nonprofit corporation set up to enhance economic development. The CDC provides a portion of the financing in addition to an amount borrowed from a bank. 504 loans cannot be used for working capital, inventory, or restructuring of existing debt. The CDC for Alaska is:

Evergreen Community Development Association
Desiree Gray, Loan Officer
900 Fourth Avenue, Suite 2900
Seattle, WA 98164
Phone (206) 622-3731 or 1-800-878-6613
Fax (206) 623-6613
http://www.ecda.com

U.S.D.A. Rural Development
800 W. Evergreen, Suite 201
Palmer, AK 99645
Phone (907) 761-7705
Fax (907) 761-7783
http://www.rurdev.usda.gov/ak/business%20&%20industry.htm

The Business and Industry Guaranteed Loan Program provides guarantees for loans made by an authorized lender. The program is available to businesses anywhere in Alaska outside the Municipality of Anchorage. The percentage of the guarantee varies with the size of the loan.

Other forms of business financing

Venture capital firms invest money in businesses in exchange for a share of ownership. Venture capital is a form of equity financing, that is, it is not repaid like a bank loan. However, venture capitalists often expect a substantial return on their investment.

Grants are generally available only to businesses to pursue the advancement of knowledge or the development of new technologies; or for vocational rehabilitation.

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SBTT) are federal grant programs that provide funding for the research and development of new technologies. Assistance with identifying and applying for these grants is available from:
TREND – Technology Research and Development Center
430 West 7th Avenue, Suite 110
Anchorage, AK 99501
Phone (907) 274-7232 or 1-800-478;7232—
Fax (907) 274-9524
http://www.trendalaska.org

Alaska Regional Development Organizations (ARDORs)

Anchorage Economic Development Corporation
900 West 5th Avenue, Suite 300
Anchorage, AK 99501
Phone (907) 258-3700
Fax (907) 258-6646
http://www.aedcweb.com/

Bering Strait Development Council
Kawerak, Incorporated
P.O. Box 948
Nome, Alaska 99762
Phone (907) 443-4248
Fax (907) 443-4449
http://www.kawerak.org/

Copper Valley Economic Development Council
P.O. Box 9
Glennallen, AK 99588
Phone (907) 822-5001
Fax (907) 822-5009
http://www.alaskaeconomicdevelopment.org/

Fairbanks North Star Borough Economic Development Commission
P.O. Box 71267
Fairbanks, AK 99707
Phone (907) 459-1309
Fax (907) 459-1102
http://co.fairbanks.ak.us

Kenai Peninsula Borough Economic Development District
14896 Kenai Spur Hwy, Suite 103-A Kenai, AK 99611-7000
Phone (907) 283-3335 ext. 222
Fax (907) 283-3913
http://www.kpedd.org/

Lower Kuskokwim Economic Development Council
P.O. Box 2021
Bethel, AK 99559
Phone (907) 543-5967
Fax (907) 543-3130

Mat-Su Resource Conservation & Development Council
1700 E. Bogard Road, Suite 203
Wasilla, AK 99654
Phone (907) 373-1062 ext. 108
Fax (907) 373-1064
http://www.matsurcd.com

Northwest Arctic Borough Economic Development Commission
P.O. Box 1110
Kotzebue, AK 99752
Phone (907) 442-2500
Fax (907) 442-3740
http://www.northwestarcticborough.org

Prince William Sound Economic Development District
2207 Spenard Rd, Suite 207
Anchorage, AK 99503
Phone (907) 222-2440
Fax (907) 222-2411
http://www.alaska.net/~pwsedc/

Southeast Conference
P.O. Box 21989
Juneau, AK 99802
Phone (907) 463-3445 ext.23
Fax (907) 463-4425
http://www.seconference.org

Southwest Alaska Municipal Conference
3300 Arctic Blvd., Suite 203
Anchorage, AK 99503
Phone (907) 562-7380
Fax (907) 562-0438
http://www.swamc.org
Consider what kind of business structure to have

Consult your tax accountant

Sole Proprietorship  A sole proprietorship is a business owned by one person. The business is not legally separate from the business owner.

Formation
To form a sole proprietorship, all the business owner needs to do is obtain a business license and satisfy any necessary licensing requirements. There are no special fees or forms required for the formation of a sole proprietorship. A federal Employer Identification Number (EIN) is only required if the business has employees.

Tax Liability
The owner reports the business revenues and expenses on his own tax return, on Schedule C of the Form 1040. The business profits are taxable income to the owner in the year in which they are earned, and are taxed at the owner's tax rate. The sole proprietor may set up a tax-sheltered retirement program, such as a Keogh plan. The business' health insurance premiums may not be fully deductible. Sole proprietors pay self-employment tax in place of social security and Medicare.

Risk Management
The business owner is personally responsible for all of the business' debts, court judgments, and other liabilities. Insurance policies are available to provide some protection for the business owner.

General Partnership  A general partnership is a business owned by two or more people who have not filed the paperwork to form a corporation or a limited liability company.

Formation
A written partnership agreement is not required, but can help avoid settling future disputes in the courts. The agreement spells out the rights and responsibilities of each partner, and addresses such issues as adding partners in the future. Each partner must act in good faith and loyalty to the other partners. A partnership is automatically dissolved when one partner dies unless the partners have agreed otherwise in writing. A partnership must obtain a federal EIN.

Tax Liability
The partnership does not pay income taxes, but files an information return with the Internal Revenue Service. Each partner's share of revenues and expenses is reported on his personal tax return. A partnership is treated the same as a sole proprietorship with respect to retirement and health plans, and self-employment tax.

Risk Management
Each partner is personally responsible for all partnership debts and liabilities. Each partner can take actions that are legally binding on the other partners. Insurance policies are available to provide some protection for the partners.

Corporation  A corporation is an independent legal entity, separate from the owners, created upon filing Articles of Incorporation. It has legal status or existence that is separate both from the individual(s) who forms it and its owners.

Formation
*Articles of Incorporation* are written and filed with the State of Alaska. The State then issues a Certificate of Incorporation. A single owner can form a corporation. Investors can become owners of the business, and shares can be sold to raise capital. (Please consult the Alaska
Division of Corporations, Business and Professional Licensing and the U.S. Securities and Exchange Commission for appropriate guidelines). The corporation can designate different classes of stock that carry different rights, such as non-voting stock. The corporation continues to exist after the death of a shareholder. A corporation must obtain a federal EIN.

Tax Liability
For federal tax purposes, corporations are designated as:

C Corporations
C Corporations with a Subchapter S Election

C Corporations file a separate corporation tax returns and pay their own taxes to the Internal Revenue Service. Owners and employees of C corporations individually pay taxes on the salaries, bonuses, and dividends they receive from the corporation.

Corporations with a Subchapter S Election file information returns with the Internal Revenue Service and individual shareholders pay taxes on their share of profits much like partners in a partnership. Corporations also pay state income taxes.

Risk Management
Generally, a shareholder or officer is not personally responsible for the debts and court judgments of the corporation. When a corporation borrows money, however, the bank may ask for personal guarantees from the corporate officers. Shareholders are not personally responsible for each other's actions on behalf of the corporation. Individuals are responsible for their own negligent acts.

Limited Liability Company  A limited liability company (LLC) is a business entity that attempts to limit the personal liability of owners. A LLC has some characteristics of partnerships and some characteristics of corporations.

Formation
Articles of Organization are filed with the State of Alaska. The owners of a LLC are called members. LLCs are managed by members or by managers who may or may not be members. A single owner can form a LLC.

Tax Liability
A LLC with two or more members is classified as a partnership for federal income tax purposes unless it elects to be taxed as a corporation, or was formed before 1997 and was taxed as a corporation. A LLC with one member is not treated as a separate entity for income tax purposes unless it elects to be taxed as a corporation.

Risk Management
Generally, a member of a LLC is only personally liable to the extent of the capital invested; their personal assets are protected.

If you can’t decide what type of entity to form, please consult a tax accountant or an attorney.

For more information on forming partnerships, corporations, or LLCs, contact the Corporations Section of the Department of Commerce, Community and Economic Development — Division of Corporations, Business and Professional Licensing at

P.O. Box 110808, Juneau, AK 99811-0808
Phone (907) 465-2530
Fax (907) 465-3257
http://www.commerce.state.ak.us/occ/
Consider legal protections for your business

Register Your Business' Name

The name you use for your business may become an asset – the business name becomes associated with the high quality of goods or services that you provide, and another business owner may want to use that reputation for his own benefit. Registering your business name prevents other businesses around the state from using the same name.

A business name may be reserved while you are preparing to start your business. A business name reservation is valid for 120 days.

For corporations, limited liability companies, and other business organizations certified with the State of Alaska, the business name is automatically registered when the form of business is certified.

A business name is eligible to be registered if it can be distinguished from other business names, if it is not misleading, and if it is not vulgar. Before reserving or registering a business name, make sure the name is available and will not be misleading or offensive.

Registration of a business name is valid for five years, and can be renewed.

For more information, or to request applications, contact: Corporations Section Division of Corporations, Business and Professional Licensing Department of Commerce, Community, and Economic Development P.O. Box 110808 Juneau, AK 99811 Phone (907) 465-2530 Fax (907) 465-3257 http://www.commerce.state.ak.us/bsc/register.html

Trademark

A state trademark can be obtained for a name, logo, or design that identifies your product. A service mark can be registered to identify a service. A mark cannot be registered if it is in any way deceptive or misleading. The trademark or service mark registration is valid for five years, and then can be renewed. For more information, or for an application, contact:

Corporations Section
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
P.O. Box 110808
Juneau, AK 99811
Phone (907) 465-2530
Fax (907) 465-3257
http://www.commerce.state.ak.us/bsc/trmark.htm

Federal trademark protection is also available, from the U.S. Patent and Trademark Office (see Patent, below).
Copyright
A copyright is a federal protection against the unauthorized use of one's artwork, music, photography, written works, and other intellectual property. To be eligible for copyright protection, the work must be written or recorded in some way, and it must contain original work.

Copyright is secured automatically when the work becomes "fixed," that is, written or recorded. Copyright notice provides additional protection, in the event the owner must defend the copyright. Copyright notice includes three elements:

- The symbol © or the word "copyright."
- The year in which the work was first published.
- The name of the owner of the copyright. For example, "Copyright 2001 by John Doe"

Copyrights can also be registered with the Copyright Office of the Library of Congress. For more information, contact:

Library of Congress
Copyright Office
101 Independence Avenue, S.E. Washington, D.C. 20559-6000
Phone (202) 707-3000 (Public Information Office)
http://www.copyright.gov

Patent
A patent is a federal protection against the unauthorized use of one's invention, provided the invention contains new ideas or unique applications. A patent grants "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States.

Patents must be applied for through the U.S. Patent and Trademark Office. A successful application requires an understanding of patent law and the procedures of the U.S. Patent and Trademark Office. For assistance with the application, an inventor may hire a patent attorney or patent agent who has been registered with the U.S. Patent and Trademark Office.

The Patent Assistance Center provides general information about patents, and can assist with filling out forms. Contact:

General Information Services Division
U.S. Patent and Trademark Office Crystal Plaza 3, Room 2C02
P.O. Box 1450
Washington, D.C. 22313-1450
Phone 1-800-786-9199
http://www.uspto.gov
Know the requirements for employers

Determine if he/she is an employee or an independent contractor

**Withholding Employee Taxes**

You are an employer if you have people who perform services for you, and you “can control what will be done and how it will be done.” Example, you have an administrative assistant that types, files, writes letters, answers phones, runs errands, takes receipts to the bookkeeper. You control this assistant’s hours of work, dress code, manner, customer service, performance, and have a policy that she/he cannot make personal calls on the office phone.

You have an independent contractor if that person has his/her own business license, insurance, entered into a contract for services or products which you or your staff DO NOT perform as a general rule, and you have no control over this person’s time, appearance, manner, customer service, performance, etc. Example, the bookkeeper across town to whom your administrative assistant delivers your daily receipts to enter into your books. (If you don’t like this bookkeeper’s performance you can’t supervise her to make it change, however you can look for another bookkeeper!).

As an employer you have the responsibilities to withhold and pay taxes for your employees. These responsibilities cannot be avoided simply by calling an employee “contract labor” or “independent contractor.” The employee-employer relationship is established by the nature of the workplace relationship, not by the job title used.

Under Alaska law, for purposes of determining an employer’s responsibility to withhold, report, and pay unemployment taxes, all three of the following conditions must be met for a worker to be considered an independent contractor rather than an employee:

1. be free from direction and control.
2. not be in the employer’s usual course or place of business.
3. be customarily working in an independent trade or business of the same nature.

However, if the services performed are outside the employer’s trade or business but the worker is paid $50 or more during a calendar quarter and the service is performed by a worker who is regularly employed to do this work, then the worker must be covered for state unemployment.

The Internal Revenue Service (IRS), for purposes of determining an employer’s responsibility to withhold, report, and pay income tax withholding, social security, Medicare, and federal unemployment tax, considers the following factors:

<table>
<thead>
<tr>
<th><strong>EMPLOYEE</strong></th>
<th><strong>INDEPENDENT CONTRACTOR</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BEHAVIORAL CONTROL</strong></td>
<td><strong>INDEPENDENT CONTRACTOR</strong></td>
</tr>
<tr>
<td>May be trained to perform work a certain way. May be given specific work assignments. May be provided with tools, equipment, or supplies.</td>
<td>May complete the work by his own methods. May hire others to complete parts of a project. May be required to use his own equipment or tools.</td>
</tr>
<tr>
<td>May be hired for an unspecified period of time. May be doing work that is a key aspect of the regular business activity, such as selling merchandise.</td>
<td>May provide similar services for other businesses. May be hired for the length of a particular project.</td>
</tr>
<tr>
<td><strong>FINANCIAL CONTROL</strong></td>
<td><strong>INDEPENDENT CONTRACTOR</strong></td>
</tr>
<tr>
<td>May be paid an hourly wage or salary.</td>
<td>May make either a profit or a loss on the work performed.</td>
</tr>
<tr>
<td><strong>RELATIONSHIP</strong></td>
<td><strong>INDEPENDENT CONTRACTOR</strong></td>
</tr>
<tr>
<td>May have an employment contract.</td>
<td>May have a services contract with the business that specifies the work to be completed</td>
</tr>
</tbody>
</table>
Employers are subject to a variety of state and federal requirements. To become familiar with employer requirements, request copies of the following publications:

IRS Publication 15 – Circular E, Employer’s Tax Guide
Call the Internal Revenue Service at 1-800-829-3676 or go to http://www.irs.gov

IRS Resources

Employment Tax for Small Business — If you have employees, you are responsible for Federal Income Tax Withholding, Social Security and Medicare taxes and Federal Unemployment Tax Act (FUTA). http://www.irs.gov/businesses/small/content/0,,id=98942,00.html

Withholding Calculator — This easy-to-use calculator can help you figure your employees’ Federal Income Tax Withholding so you can withhold the correct amount from their pay. http://www.irs.gov/individuals/article/0,,id=96196,00.html

Contact Your Local IRS Office — IRS Taxpayer Assistance Centers are your one-stop resource for face-to-face tax help and solutions to tax problems, every business day. http://www.irs.gov/localcontacts/index.html

The Taxpayer Advocate’s Office — The Taxpayer Advocate is an independent organization within the IRS. They help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems. http://www.irs.gov/advocate/index.html

On-Line Classroom — View a streaming video of an IRS Small Business Workshop, take an IRS course or complete an online self-directed version of a workshop taught live around the country. http://www.irs.gov/businesses/small/article/0,,id=97726,00.html


Small Business Resources — This section offers links to a broad range of resources across federal and state agencies. http://www.irs.gov/businesses/small/content/0,,id=98864,00.html


If you don’t have access to the Internet, call the IRS toll free at 1(800) 829-3676.

Request from:
Alaska Department of Labor and Workforce Development
Employment Security Tax
P.O. Box 25506, Juneau, AK 99802-5506
Phone (907) 465-2757 or 1-888-448-2937 toll free
Fax (907) 465-2374
http://www.labor.state.ak.us/estax/forms/toc_forms.htm
When you contact Employment Security, ask to be registered as an employer. Most employers are required to withhold, report, and pay employment taxes, which include income tax, social security (FICA), Medicare, and state and federal unemployment taxes.

An Employer Identification Number (EIN) must be used in reporting and paying employment taxes. To apply for an EIN, call the IRS at 1-800-829-3676 and ask for Form SS-4, Application for Employer Identification Number or go to http://www.irs.gov

Employers are required to make sure that their employees are eligible to work in the United States. The employer must have a completed Form I-9, Employment Eligibility Verification on file for each employee. Request the Form I-9 from the Immigration and Naturalization Service (INS) by calling 1-800-870-3676 or go to http://uscis.gov/graphics/formsfee/forms/i-9.htm. Employers also can contact the www.socialsecurity.gov/employer for SSN verification for employees and can file W-2 Forms on-line.

Employers are also required to have on file for each employee a completed IRS Form W-4, Employee's Withholding Allowance Certificate, available from the IRS at 1-800-829-3676. The Form W-4 provides the information the employer needs to calculate income tax withholding for the employee.

Employers are required to provide a written hiring agreement at the time an employee is hired. The written hiring agreement must state: the rate of pay (including benefits), the day of pay, and the place of pay.

Written notification must also be provided of any changes. The Department of Labor's Wage and Hour Administration can review your company's hiring agreement and suggest changes, if necessary.

**Wage and Hour Administration**

- Anchorage: 3301 Eagle Street, Suite 301, Anchorage, AK 99503  
  Phone (907) 269-4900  Fax (907) 269-4915
- Fairbanks: 675 7th Avenue, Station J, Fairbanks, AK 99701  
  Phone (907) 451-2886  Fax (907) 451-2885
- Juneau: 1111 W. 8th Street, Room 302, Juneau, AK 99801  
  Phone (907) 465-4842  Fax (907) 465-3584

Maintain accurate payroll records, following the instructions in the IRS Publication 15 and the Alaska Employment Security Tax Handbook for calculating, withholding, reporting, and paying employment taxes. Reports to be filed on a quarterly basis include:

- **IRS Form 941**, Employer's Quarterly Federal Tax Return, for reporting income tax withholding, social security, and Medicare. Social security and Medicare taxes are withheld from employees' wages, and a matching amount is also paid by the employer.

- **Contribution Reports**, for reporting state unemployment tax. A portion of the state unemployment tax is withheld from wages, and a portion is paid by the employer. The executive officers of a corporation are generally excluded from state unemployment coverage, but if coverage is elected it applies to all officers as a group. Coverage cannot be elected by sole proprietors, partners, or managing members of a LLC. Coverage is also excluded for certain family members working for a sole proprietor.

The income taxes withheld and both the employee and employer portions of social security and Medicare taxes are deposited at an authorized financial institution using a Form 8109, Federal Tax Deposit Coupon, which is available from the IRS.
During your first year in business, if the amount owed for the quarter totals less than $2,500, payment can be made with the Form 941.

In addition, at the end of the year, a Form 940 or 940-EZ, Employer’s Annual Federal Unemployment Tax Return, is filed to report federal unemployment tax. Federal unemployment tax is also referred to as FUTA. It is paid by the employer, with no portion withheld from employee wages.


Workers’ Compensation Insurance

Workers’ compensation is a program that requires employers to pay medical costs and a portion of lost wages for employees who are injured or become ill because of work conditions. The Alaska Workers’ Compensation Act requires each employer having one or more employees in Alaska to obtain workers’ compensation insurance, unless the employer has been approved as a self-insurer. Workers who are not required to be covered under a workers’ compensation policy include high school students in work study programs, and participants in the Alaska temporary assistance program. The business owners may exempt themselves from coverage.

Workers’ compensation insurance can be purchased from insurance companies. If an employer is not able to obtain coverage from a commercial insurance carrier, they can purchase insurance through Alaska’s Assigned Risk Pool. The cost of the coverage is based on the amount of the employer’s payroll, the level of risk for workers, and the employer’s history of claims.

Employers must provide proof of workers’ compensation insurance to the Division of Workers’ Compensation, which is usually submitted by the insurance company.

For more information, contact:
Division of Workers’ Compensation
Department of Labor and Workforce Development
P.O. Box 25512, Juneau, AK 99802
Phone (907) 465-2790
Fax (907) 465-2797
http://labor.state.ak.us/wc/home.htm

Workplace Posters

The following posters are required to be posted in your workplace:

**Employee Polygraph Protection Act**

Available from:
Employment Standards Administration
U.S. Department of Labor
200 Constitution Avenue NW Washington, D.C. 20210
1-866-4USWAGE
Notice to Employees – Federal Minimum Wage

Available from:

Wage and Hour Division
U.S. Department of Labor
200 Constitution Ave. NW Washington, D.C. 20210
Toll free 1-866-4USWAGE
http://www.dol.gov/esa/regs/compliance/posters/flsa.htm

Your Rights Under the Family & Medical Leave Act of 1993

Available from:

Wage & Hour District Office
U.S. Department of Labor
1111 3rd Avenue, Suite 755, Seattle, WA 98101-3212
Toll free 1-866-487-2365

Employer's Notice of Insurance
Provided by your insurance company.

Equal Employment Opportunity is the Law

Available from:

EEOC Office of Communication
1801 L Street N.W. Washington, D.C. 20507
Phone 1-800-669-3362 or 1-800-435-7232
http://www.dol.gov/esa/regs/compliance/posters/eeo.htm

The Alaska Human Rights Law & Federal Law Prohibit Sexual Harassment

Available from:

Alaska State Commission for Human Rights
800 A Street, Suite 204, Anchorage, AK 99501
Phone (907) 274-4692 or 1-800-478-4692
http://www.gov.state.ak.us/aschr/harassment_poster.pdf

Summary of Alaska Wage & Hour Act

Available from:

Wage & Hour Administration
Department of Labor & Workforce Development
P.O. Box 21149, Juneau, AK 99802-1149
Phone (907) 465-4842
http://labor.state.ak.us/lss/forms/sum-ww-act.pdf
Emergency Information
Available from:
Labor Standards & Safety Division
Department of Labor & Workforce Development
P.O. Box 21149, Juneau, AK 99802-1149
Phone (907) 465-4855 or 1-800-770-4940
http://labor.state.ak.us/lss/forms/EmergInfo.pdf

It's Your Right to Know/Safety and Health Protection on the Job
Available from:
Labor Standards & Safety Division
Department of Labor & Workforce Development
P.O. Box 21149, Juneau, AK 99802-1149
Phone (907) 465-4855 or 1-800-770-4940
http://labor.state.ak.us/lss/forms/right-to-know.pdf

Notice to Employees – Unemployment Insurance
Available from:
Employment Security Division
Department of Labor & Workforce Development
P.O. Box 25509, Juneau, AK 99802-5509
Phone (907) 465-1849
http://labor.state.ak.us/lss/forms/1012.pdf

Uniformed Services Employment and Reemployment Rights Act
Available from:
Veterans' Employment and Training Service
U.S. Department of Labor
200 Constitution Avenue, NW Washington, D.C. 20210
Phone 1-866-4USADOL
http://dol.gov/vets/programs/userra/poster.htm

You Have a Right to a Safe and Healthful Workplace
Available from:
Occupational Safety & Health Administration
U.S. Department of Labor
OSHA Publications
P.O. Box 37535, Washington, D.C. 20013-7535
Phone (202) 693-1888 Fax (202) 693-2498
http://www.osha.gov/pls/publications/pubindex.list
For more information about employment posters, contact:
Alaska Department of Labor and Workforce Development
Division of Labor Standards and Safety
1111 West 8th Street, Room 304, Juneau, AK 99801
Phone (907) 465-4855 or 1-800-770-4940
http://labor.state.ak.us/lss/posters.htm
Know your business taxes

Please note that this checklist covers the basic requirements common to most businesses. Be sure to check for additional requirements specific to your location or industry.

Local Municipal or Borough Taxes

Check with your local municipal government for information on sales taxes, personal property taxes, or other taxes related to your business.

State Taxes

Every corporation doing business in the state of Alaska must file an Alaska Corporation Net Income Tax Return. A limited liability company must file an Alaska return consistent with its federal tax status — if it is treated as a corporation for federal tax purposes, it is also treated as a corporation for state tax purposes.

The tax rate varies with the amount of taxable income. The tax is due to be paid two and a half months after the end of the corporation’s tax year, and the tax return must be filed thirty days after the due date of the federal income tax return.

For more information, contact:
Department of Revenue, Tax Division
P.O. Box 110420, Juneau, AK 99811
Phone (907) 465-2320 Fax (907) 465-2375
http://www.tax.state.ak.us/programs/corporate/index.asp

Federal Taxes

Federal taxes will vary depending on the legal form of your business and the type of business activity — consult your tax accountant!

For a sole proprietorship, the business income and expenses will be reported on Schedule C of the business owner’s Form 1040. The earnings of the business are then taxed at the owner’s tax rate.

For a partnership, the business income and expenses will be reported on the partnership’s Form 1065, with a Schedule K-1 for each partner’s share of income and expenses. Each partner then includes his Schedule K-1 information on his own tax return and pays taxes on his share of the partnership’s earnings.

For a corporation, the business income and expenses will be reported on the corporation’s Form 1120, and the corporation will pay taxes on its earnings. For a corporation that has elected a Subchapter S, a Form 1120S is used to report the corporation’s income and expenses, but no income tax is paid by the corporation. Each owner reports his share of income and expenses on his own tax return and pays taxes on his share of earnings.

For a limited liability company, reporting requirements and tax liability are based on whether the LLC has elected to be treated a sole proprietorship, partnership, or corporation.

For more information, contact: Phone 1-800-829-1040 (to speak to an IRS representative)

Internal Revenue Service
949 East 36th Avenue, Anchorage, AK 99508
Phone (907) 271-6391 (for recorded information or to leave a message)

Request a copy of the printed or CD format Publication 583, Starting a Business and Keeping Records by calling 1-800-829-3676.
Plan your business in writing

The Business Plan

The Cover Page

Name of the business, logo, owner’s name(s), address, phone, email, and website (if you have one), name of who prepared the Business Plan and the date it was prepared.

Executive Summary

Even though this is your second page after your cover page, you write this summary after you’ve completed writing your business plan and can summarize in a nutshell your entire plan. It includes a bit of history of your business, your mission statement, a summary of the major points of the business plan, and a financing request, if applicable.

Mission Statement

Whatever your reason is for going into business, it should be expressed in your mission statement so that you can stay focused on pursuing your goals, explain your values to your employees, and tell your customers the way in which you will serve their needs. Keep your mission short, sweet and effective! Say more with an economy of words.

Example:

To make a fine loaf of bread – Great Harvest Bread, Anchorage, AK
No one gets hurt – Alyeska Pipeline Employee Safety, Valdez, AK
Promoting a healthy economy and strong communities – State of Alaska
Department of Commerce, Community and Economic Development
We sell, sell, and sell – Consumers Wholesale, Bronx, NY

Remember that behind your stated mission statement is also your commitment to profitability—that which allows you to stay in business. Your mission statement explains your “unique selling proposition.” It describes what success means to you.

Have your mission statement printed, written in calligraphy, quilted, done in watercolors, etched in copper, or carved in granite. Place it in the most visible place in your storefront, home office, website, coffee kiosk, or Anchorage Saturday Market booth. Read it often, but most especially during those moments when you are thinking you want to close your business permanently and pack it in.

The Business’ Legal Structure

Consider your own needs and circumstances when choosing a form of business.

- Sole Proprietorship
- General Partnership
- Corporation (C)
- Corporation (Subchapter S Election)
- Limited Liability Company

If you can’t decide what type of entity to form, please consult a tax accountant or an attorney.
For more information on forming partnerships, corporations, or LLCs, contact the Corporations Section of the Department of Commerce, Community and Economic Development — Division of Corporations, Business and Professional Licensing at
P.O. Box 110808
Juneau, AK 99811-0808
Phone (907) 465-2530
Fax (907) 465-3257
http://www.commerce.state.ak.us/occ/

Description of the business

- What goods or services will you offer?
- How will you produce or obtain those goods?
- Or, How will your services be delivered?
- How will you set prices for your goods or services?
- Where will the business be located?
- What is the status of any required licenses, permits, patents, or trademarks?

Market research

(Which you did when you tested your idea.) Explain why the market is just dying for your concept.

Marketing plan

Why you are naming your product Blah a Blah Watch, and how you are packaging it, selling it, and promoting it in order to get sales. How you will advertise, promote, announce your product so that it sells.

You want to address how you will meet a changing local and global market, how you will compete when a major competitor surfaces in your vicinity or field, how you will manage when costs rise, etc.

The Four Ps

The marketing plan pulls together all the elements of your marketing. In short, it should cover what is known as the marketing mix, or the 4 Ps of Marketing:

Product/service Precisely what you have to offer to your customer — not just the item you are selling but the need you will fill or problem you will solve.

Place Where the business will be located to best serve the customers’ needs and how much traffic passes that location, or what method of distribution you will use to deliver your product or service.

Promotion All the things you will do to communicate with your customers, including how you will use various media such as flyers, direct mail, internet, and radio.

Price How much you will charge, how that compares to the competition, what methods you will use to set prices, and what role price plays in your customer’s buying decision.
Management

- What qualifications do you have for running the business?
- Which responsibilities will you hire staff to do?
- How will you recruit and train employees, and what wages and benefits will you offer?

Disaster Preparedness Plan

Think long-range. Plan ahead and make contingencies for significant events such as recovering from a fire, earthquake or other emergencies that may damage your business. There are many disaster plan templates and guides available from your municipality and from the State of Alaska Department of Military and Veterans Affairs. These consider acts of God and terrorism.

Business Exit Strategy

Most likely, at the moment in which the light bulb lit up with your new idea, you never gave a thought about how you'd get out of the business, someday. However, try and visualize this in terms of whether or not you want to be doing this business for the rest of your living days; whether you want to retire to a tropical island after you've made money and can sell a successful business; whether you want to give your business to your church or a non-profit organization as a way to raise funds. Whichever of these is you, you need to plan what it will take to achieve that goal through your business.

If you want to remain behind the counter till you are unable, then you need to decide whether you do or don't want your business to continue if you can't work in it, anymore. If you want the business to close, you have to decide whether you or someone else will sell, donate or distribute the assets, pays off all the vendors, fulfills all the remaining orders, You have to devise a management succession plan so that the person to whom you hand the business will be able to pick up where you left off. If you are thinking of selling your business at some point, consider the value you'd like for your business to have, and what it will take to get it there. An exit strategy can also help you see that you aspire to retire to a tropical paradise once you are financially independent from the sale of the business.

Financial Statements

No matter how wonderful your business concept is, or how eloquent your written business plan reads, it is your financial statements that speak volumes about your concept and your grasp of the business.

- Start-up and operating budgets.
- Profit and loss projections, monthly for the first year and quarterly for the second and third years.
- Cash flow projections, monthly for the first year and quarterly for the second and third years.
- Balance sheet at start-up, and projected for the end of the first, second, and third years.
- Explanation of start up costs, and loan request, if any.
Additional Documents

The business plan will vary in size based on the complexity of your business, and may have a number of attachments. The following attachments are generally required when the business plan is part of a loan application:

- Resumes for owners and key staff.
- Tax returns and personal financial statements for all owners.
- Letters of intent from prospective suppliers or customers.
- Copies of leases, deeds, contracts, or other legal documents.
- Anything else to support your plan.
Forms and Templates

Outline of a marketing plan

1. Objectives

Where do you want to go? What business goals, objectives, targets, or benchmarks will you accomplish?

2. Situation Analysis

Where are you now? Describe your customers and competitors, and the market environment in which you will operate – the legal, political, environmental, cultural, demographic, and technological factors that could affect your business.

3. Strategies

How will you get there? Explain why customers will buy from you and not from your competition, and how you will communicate to your customers your ability to meet their needs.

4. Implementation Plan

Prepare a schedule of all the marketing activities for the coming year, or longer, including such marketing approaches as seasonal promotions, networking activities, and events to be sponsored. The action plan should also explain how you will evaluate the success of your various marketing efforts.

5. Budget

Prepare a budget of the cost of carrying out the action plan, as well as the cost of ongoing marketing activities and supplies such as business cards and advertising specialties. Be sure to include a way to evaluate the cost-effectiveness of your marketing efforts.

Remember – marketing is an investment to increase sales!
### BALANCE SHEET FOR Business Name:

**ASSETS**

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Assets</th>
<th>Liabilities</th>
<th>% of Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets (12mos or less)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$</td>
<td>Accounts Payable</td>
<td>$</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>$</td>
<td>Notes Payable</td>
<td>$</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$</td>
<td>Interest Payable</td>
<td>$</td>
</tr>
<tr>
<td>Inventory</td>
<td>$</td>
<td>Tax Accruals</td>
<td></td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>$</td>
<td>Federal Income Tax</td>
<td>$</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$</td>
<td>Self-Employment Tax</td>
<td>$</td>
</tr>
<tr>
<td><strong>Long-Term Investments</strong></td>
<td>$</td>
<td>State Income Tax</td>
<td>$</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td>$</td>
<td>Sales Tax Accrual</td>
<td>$</td>
</tr>
<tr>
<td>Land (valued at cost)</td>
<td>$</td>
<td>Property Tax</td>
<td>$</td>
</tr>
<tr>
<td>Buildings</td>
<td>$ 0</td>
<td>Payroll Accrual</td>
<td>$</td>
</tr>
<tr>
<td>1. Cost</td>
<td></td>
<td>Notes Payable to Investors</td>
<td>$</td>
</tr>
<tr>
<td>2. Less Acc. Depr.</td>
<td></td>
<td>Notes Payable Others</td>
<td>$</td>
</tr>
<tr>
<td>Improvements</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Less Acc. Depr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Less Acc. Depr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Less Acc. Depr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autos/Vehicles</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Less Acc. Depr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities (12mos or less)</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
</tr>
<tr>
<td>Notes Payable</td>
<td></td>
</tr>
<tr>
<td>Interest Payable</td>
<td></td>
</tr>
<tr>
<td><strong>Tax Accruals</strong></td>
<td></td>
</tr>
<tr>
<td>Federal Income Tax</td>
<td></td>
</tr>
<tr>
<td>Self-Employment Tax</td>
<td></td>
</tr>
<tr>
<td>State Income Tax</td>
<td></td>
</tr>
<tr>
<td>Sales Tax Accrual</td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td></td>
</tr>
<tr>
<td>Payroll Accrual</td>
<td></td>
</tr>
<tr>
<td>Notes Payable to Investors</td>
<td></td>
</tr>
<tr>
<td>Notes Payable Others</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES** $ 0 100.00%

**NET WORTH (EQUITY)**

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietorship</td>
<td>$</td>
</tr>
<tr>
<td>or Partnership</td>
<td>$</td>
</tr>
<tr>
<td>1. (Name 1), __% Equity</td>
<td>$</td>
</tr>
<tr>
<td>2. (Name 2), __% Equity</td>
<td>$</td>
</tr>
<tr>
<td>or Corporation</td>
<td>$</td>
</tr>
<tr>
<td>Capital Stock</td>
<td>$</td>
</tr>
<tr>
<td>Surplus Paid In</td>
<td>$</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$</td>
</tr>
</tbody>
</table>

**TOTAL NET WORTH** $ 0 100.00%

**Assets - Liabilities = Net Worth and 
Liabilities + Equity = Total Assets**
Start-Up and Operating Costs

<table>
<thead>
<tr>
<th>Costs Every Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases</td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Phone + Cell Hookup</td>
</tr>
<tr>
<td>Insurance/Bond</td>
</tr>
<tr>
<td>Pre-opening Advertising</td>
</tr>
<tr>
<td>Grand Opening Promotional Event</td>
</tr>
<tr>
<td>Manufacturing Materials</td>
</tr>
<tr>
<td>Office and Misc.Supplies</td>
</tr>
<tr>
<td>Equipment (Leasing/Purchase)</td>
</tr>
<tr>
<td>Loan Fees</td>
</tr>
<tr>
<td>Taxes</td>
</tr>
<tr>
<td>Travel/Training</td>
</tr>
<tr>
<td>Permits and Licenses</td>
</tr>
<tr>
<td>Credit Card setup fees</td>
</tr>
<tr>
<td>Printing</td>
</tr>
</tbody>
</table>
Explanation of Start-Up Costs and Financing Needs

Example of Break-Even Analysis

Pat is known for making great home-made pizza. He’s decided to start a take-out pizza place in his community of six hundred residents. There’s an unused commercial kitchen he can rent for his business. Pat wants to see how profitable this might be.

First he estimates the monthly fixed costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$450.00</td>
</tr>
<tr>
<td>Utilities (electric, phone, heating fuel)</td>
<td>200.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>50.00</td>
</tr>
<tr>
<td>Advertising (fliers)</td>
<td>15.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>75.00</td>
</tr>
<tr>
<td>Office expenses</td>
<td>25.00</td>
</tr>
<tr>
<td>Owner’s salary</td>
<td>1,000.00</td>
</tr>
<tr>
<td><strong>Total monthly fixed costs</strong></td>
<td><strong>$1,815.00</strong></td>
</tr>
</tbody>
</table>

Next he estimates the variable cost per pizza. Pat’s main product will be a large pepperoni pizza. From making pizza at home, he can estimate the costs per pizza:

- Pizza dough, sauce, cheese, pepperoni: $6.00
- Pizza box: $0.50

**Total variable cost per pizza** = $6.50

Based on the variable cost per pizza of $6.50, Pat thinks a reasonable selling price would be $15.00. His neighbors said they would pay that price.

To calculate the break-even point, Pat first calculates "contribution," the amount of money from the sale of each pizza that is available to cover the fixed costs:

- Selling price per pizza: $15.00
- Total variable cost per pizza: $6.50
- **Contribution per pizza**: $8.50
Then, the contribution is converted to a "contribution margin" by dividing the contribution by the selling price:

<table>
<thead>
<tr>
<th>Contribution per pizza</th>
<th>$8.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>divided by Selling price per pizza</td>
<td>$15.00</td>
</tr>
<tr>
<td><strong>Contribution margin</strong></td>
<td><strong>.57</strong></td>
</tr>
</tbody>
</table>

The amount of sales needed per month to break even is calculated by taking the total fixed costs for the month and dividing by the contribution margin:

<table>
<thead>
<tr>
<th>Total fixed monthly costs</th>
<th>$1,815.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>divided by Contribution margin</td>
<td>.57</td>
</tr>
<tr>
<td><strong>Monthly sales required to break even</strong></td>
<td><strong>$3,184.00</strong></td>
</tr>
</tbody>
</table>

Then Pat calculates the number of pizzas he must sell each month to break even, by taking the monthly sales required to break even and dividing by the selling price per pizza:

<table>
<thead>
<tr>
<th>Monthly sales required to break even</th>
<th>$3,184.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>divided by Selling price per pizza</td>
<td>$15.00</td>
</tr>
<tr>
<td><strong>Monthly pizzas to sell to break even</strong></td>
<td><strong>$212</strong></td>
</tr>
</tbody>
</table>

$212 is the number of pizzas Pat must sell every month, at $15 per pizza, to break even — to cover the fixed and variable costs. Pat’s business isn’t profitable until he sells his 213th pizza each month, and that’s assuming that he has accurately estimated all his costs.

To convert to a daily sales target, let’s assume Pat is open six days a week for four weeks every month, or 24 days in a month:

<table>
<thead>
<tr>
<th>Monthly pizzas to sell to break even</th>
<th>212</th>
</tr>
</thead>
<tbody>
<tr>
<td>divided by Days of pizza-selling</td>
<td>24</td>
</tr>
<tr>
<td><strong>Daily pizzas to sell to break even</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

Is it reasonable to expect to sell nine pizzas every day? And what happens if they’re all ordered at the same time of day? Will Pat need to hire an assistant? Will he need to buy a bigger pizza oven? If so, that changes the costs and another break-even analysis is needed.
# Three-Year Profit & Loss Projection

**Percentages = % of Sales/Revenues**

**Updated:** ________ 2006

<table>
<thead>
<tr>
<th></th>
<th>Year 1: 2006</th>
<th></th>
<th>Year 2: 2007</th>
<th></th>
<th>Year 3: 2008</th>
<th></th>
<th>Total: 3 Years</th>
<th></th>
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<td></td>
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<td>%</td>
<td>AMOUNT</td>
<td>%</td>
<td>AMOUNT</td>
<td>%</td>
<td>AMOUNT</td>
<td>%</td>
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</tr>
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<tr>
<td>Product A</td>
<td>10,000</td>
<td>100.00%</td>
<td>10,500</td>
<td>100.00%</td>
<td>11,025</td>
<td>100.00%</td>
<td>31,525</td>
<td>100.00%</td>
</tr>
<tr>
<td>Product B</td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
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<tr>
<td>Product C</td>
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<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
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<tr>
<td>Product D</td>
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<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
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<tr>
<td>Product E</td>
<td>0.00%</td>
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<td>0.00%</td>
<td></td>
<td>0.00%</td>
<td></td>
<td>0.00%</td>
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</tr>
<tr>
<td><strong>2. GROSS PROFIT ON SALES</strong></td>
<td>10,000</td>
<td>100.00%</td>
<td>10,500</td>
<td>100.00%</td>
<td>11,025</td>
<td>100.00%</td>
<td>31,525</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

| **EXPENSES**     |              |        |              |        |              |        |                |        |
| 1. VARIABLE      |              |        |              |        |              |        |                |        |
| Materials        | 1,000        | 10.00% | 1,050        | 10.00% | 1,103        | 10.00% | 2,050          | 6.50%  |
| Supplies         | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Equipment/Furniture | 0.00%  |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Seasonal Items   | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Activities Supplies | 0.00% |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Staff Training Expense | 0.00% |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| **2. FIXED**     | 0            | 0.00%  | 800          | 7.82%  | 840          | 7.62%  | 1,640          | 5.20%  |
| Rent or Mortgage | 1,000        | 10.00% | 1,050        | 10.00% | 1,103        | 10.00% | 3,153          | 10.00% |
| Utilities        | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Telephone        | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Office Supplies  | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Postage          | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Equip/Auto repairs/maint | 0.00% |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Insurance        | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Loan Payments    | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Marketing/Advertising | 0.00% |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Subscription/Dues| 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Legal/Accounting | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Auto/Fuel        | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Salaries         | 0.00%        |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| 7.5% Withhold Match | 0.00% |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Owners Compensation | 0.00%  |        | 0.00%        |        | 0.00%        |        | 0.00%          |        |
| Depreciation (Office Equipment) | 0.00% | 800    | 7.52%       | 840    | 7.62%       | 1,640 | 5.20%          |
| **TOTAL OPERATING EXPENSES (1+2)** | 1,000 | 10.00% | 1,850 | 17.62% | 1,943 | 17.62% | 3,650 | 11.70% |

|                  |              |        |              |        |              |        |                |        |
| **NET INCOME OPERATIONS (GPr - Exp)** | 9,000 | 90.00% | 8,650 | 82.38% | 9,083 | 82.38% | 27,535 | 86.30% |
| OTHER INCOME     | 0            | 0.00%  | 0            | 0.00%  | 0            | 0.00%  | 0.00%          |        |
| (Interest Income)|              |        |              |        |              |        |                |        |
| OTHER EXPENSE    | 0            | 0.00%  | 0            | 0.00%  | 0            | 0.00%  | 0.00%          |        |
| (Interest Expense)|            |        |              |        |              |        |                |        |
| **NET PROFIT (LOSS) BEFORE TAXES** | 9,000 | 90.00% | 8,650 | 82.38% | 9,083 | 82.38% | 27,835 | 88.30% |
| TAXES            |              |        | 0            | 0.00%  | 0            | 0.00%  | 5,800 | 18.40% |
| 1. Federal, S-  | 5,000        | 50.00% | 600          | 7.62%  | 0            | 0.00%  | 0.00%          |        |
| Employment       |              |        |              |        |              |        |                |        |
| 2. State         | 0            | 0.00%  | 0            | 0.00%  | 0            | 0.00%  | 0.00%          |        |
| 3. Local         | 0            | 0.00%  | 0            | 0.00%  | 0            | 0.00%  | 0.00%          |        |
| **NET PROFIT (LOSS) AFTER TAXES** | 4,000 | 40.00% | 7,550 | 74.76% | 9,083 | 32.38% | 22,035 | 69.90% |
## Cash flow projections one year

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<th>Month</th>
<th>jan</th>
<th>feb</th>
<th>mar</th>
<th>apr</th>
<th>may</th>
<th>jun</th>
<th>jul</th>
<th>aug</th>
<th>sep</th>
<th>oct</th>
<th>nov</th>
<th>dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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</tr>
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<td><strong>B. Receivables</strong></td>
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<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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**EXPENSES:**

1. Variable Expenses

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2. Fixed Expenses

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