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L E G A L P L L C

BUSINESS START UP GUIDE

For First Time Entrepreneurs

By: Austin J. Nowakowski, Esq. of Nowakowski Legal PLLC

version 1.2

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OVERVIEW AND DISCLAIMER

Nowakowski Legal PLLC is pleased to provide you with this Business Start Up Guide for First Time Entrepreneurs. The purposes of this guide is to give you a detailed, helpful, but most importantly easy to read point of reference for many of the things you will need to consider when starting a business. While we hope that this guide helps you along the road to success with your new business, our ulterior purpose is the hope that you will utilize Nowakowski Legal PLLC's services when you come across the inevitable "legal needs" for your company. While this guide can tell you many of the things you will want to take in to consideration when starting your new business, it unfortunately is not a legal manual and cannot explain in its few short pages how to handle complex business law transactions; for those instances, we would suggest that you contact Nowakowski Legal PLLC for your legal needs.



When we discuss a legal matter that Nowakowski Legal PLLC believes an attorney should be utilized for, we will put our logo near the paragraph on the left hand side of the page; much as we have done here. If you would like legal assistance with said item, Nowakowski Legal PLLC would be happy to assist you with whatever your needs may be. Our contact information is contained in the top right of each page of this guide.

That being said, please be aware that this guide is not providing you with legal advice and it does not create an attorney client relationship between you and Nowakowski Legal PLLC. If you are interested in becoming one of our clients, please feel free to contact us and schedule a consultation at any time.

In addition, this guide does not include, nor should it be considered, a comprehensive description of all items that must be taken into account when creating a business. Finally, we provide no representations, guarantees or warranties about the accuracy, reliability, completeness, correctness or timeliness of any and all information contained herein; this is due to the fact that different jurisdictions, areas, opinions, interpretations and practices exist which may or may not conflict with the opinions discussed herein.

Other Helpful Resources

The following are several additional websites and references that contain free and extensive information that can help new and young entrepreneurs when building a business. We highly suggest that you check out each of the below and determine for yourself if the information contained therein can assist you with the creation of your business.

- U.S. Small Business Administration - www.SBA.gov
- The Bureau of Labor Statistics – www.BLS.gov
- The Securities and Exchange Commission – www.SEC.gov
- Business USA – www.BusinessUSA.gov
- Your State's Secretary of State – i.e. Washington State Secretary of State - www.sos.wa.gov



- Your City's Office of Economic Development – i.e. Seattle Office of Economic Development - www.Seattle.gov/economicdevelopment
- Online Business Blogs, News and Forums – i.e. Entrepreneur – www.Entrepreneur.com – i.e. Inc. – www.Inc.com – Nowakowski Legal PLLC – www.Nowakowski-Legal.com
- STOPFakes.gov Intellectual Property Rights Information and Assistance - <https://www.stopfakes.gov>

Guide by Section

There is no way that any one book or guide could ever fully prepare you for all the details, surprises, joys and difficulties that go in to opening your own business. However, we have tried to place within this Business Start Up Guide the major items that most entrepreneurs either have difficulty with, or accidentally overlook when opening a new business. Additionally, we complete the Business Start Up Guide with a step by step explanation as to how to prepare your own personal Business Plan. A Business Plan is both a useful tool for the entrepreneur to utilize as a reference point when growing his/her business, and it is also a necessary document required by almost any lending agency or investor that might have an interest in assisting your business.

While the following sections are not in any particular order, we highly suggest that you hold off on preparing your Business Plan until after you have reviewed the other sections of this guide; you will find it much easier to create your Business Plan after you have a better understanding of many of the items we will be reviewing in the following pages.

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CREATING YOUR START UP BUDGET

One of the first items to prepare for your new business is a budget. Knowing how much money you will need to open your doors, keep them open, and eventually to make a profit is paramount to your business's success. By committing these numbers to paper, you will immediately have a better understanding on what your business needs to survive. This is because you will be giving yourself a quantifiable number that you will know that your company must reach in order to keep its doors open and become self-sufficient.

Additionally, if you plan on taking out a loan from any professional lending institution, they will want to see a budget. In order for the lender to determine if your requested loan amount is a good investment, they will need to know how much it will cost to give your business the capital it needs to survive the early phase of its existence. In short, your budget will directly influence your ability to acquire and manage the finance of your business.

What a Start Up Budget Should Contain

As you are starting a new business, we would advise that your budget contain at least the following three primary categories; 1) One Time Costs, 2) Monthly Variable Costs, and 3) Monthly Fixed Costs. Eventually, you will want to include other items within your budget (such as income, tax deductions, outstanding invoice, etc.), but as you are a new business, it is assumed that you will be starting at a zero customer base. Your budget should project the estimated costs for at least the first year of your business's existence.

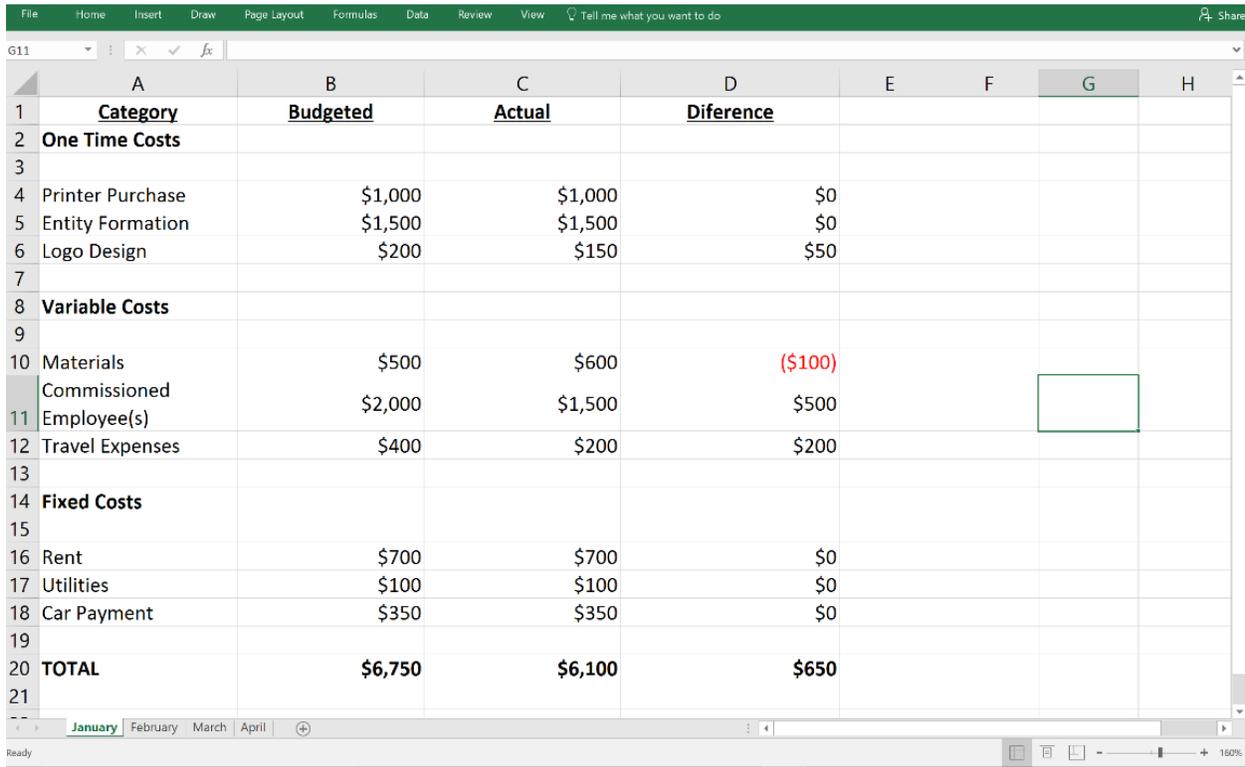
As we will not be initially including any sales or income within your budget, this will help us to know what it would cost to maintain your business for several months if you had zero customers. This is not to say that you will not have any customers, but utilizing a worst case scenario such as this will give you an indicator of how well your company will have to do in order to become self-sufficient.

- **One Time Costs** – as the name implies, these are costs that you foresee only have to be payed once (or very infrequently) throughout the life of your business. One Time Costs would include such things as a down payment on an office building, developing a logo design, equipment purchases, having an attorney prepare your initial company documentation, registering your company name, etc.
- **Monthly Variable Costs** – these are costs that you will have on a regular basis, but that will vary from payment to payment. Think of it in the terms of your heating bill; in the Summer, you pay less, but in the Winter, you pay more. This is an example of a Variable Cost. Other examples for your company would be monthly material costs, employees paid on commission, variable utilities, etc.
- **Monthly Fixed Costs** – in contrast to Variable Costs, Fixed Costs are costs that will not change from month to month. Think of this in terms of your cable bill; it is consistent month to month and does not change. Some examples of Fixed Costs would be your monthly lease payment, salaried employees, fixed utilities, car payments, leased equipment payments, etc.

What Your Start Up Budget Will Look Like

Developing your start up budget is relatively simple once you know what to include. In your case, we already provided you with the three (3) major categories to consider for a startup business. While you can prepare a visual budget in a number of ways, the simplest and least expensive way would be to use an Excel spreadsheet. For a base example, simply open Excel, create a four (4) column tab and label the columns as follows; Category, Budgeted, Actual and

Difference. In the Category section, separately place your One Time Costs, your Variable Costs, and your Fixed Costs. See the following visual example.



	A	B	C	D	E	F	G	H
1	Category	Budgeted	Actual	Diference				
2	One Time Costs							
3								
4	Printer Purchase	\$1,000	\$1,000	\$0				
5	Entity Formation	\$1,500	\$1,500	\$0				
6	Logo Design	\$200	\$150	\$50				
7								
8	Variable Costs							
9								
10	Materials	\$500	\$600	(\$100)				
11	Commissioned Employee(s)	\$2,000	\$1,500	\$500				
12	Travel Expenses	\$400	\$200	\$200				
13								
14	Fixed Costs							
15								
16	Rent	\$700	\$700	\$0				
17	Utilities	\$100	\$100	\$0				
18	Car Payment	\$350	\$350	\$0				
19								
20	TOTAL	\$6,750	\$6,100	\$650				
21								

It is important to note that the above is just an example as to how you can create your budget; Excel (and applications which are specifically designed for budgeting) contain other spreadsheets and programs that are specifically designed to help simplify budgeting a business. If you would like to utilize more advanced methods than the simple spreadsheet exemplified above, you are welcome to do so. However, for simplicity sake, the above example is provided just to show you what information a budget should at the very least convey.

Please note that the columns for “Actual” and “Difference” would not be filled in until once your business is up and running; it will help you to compare your budget projections with how the costs actually affected your operating funds. Additionally, once you have launched your business and discover new expenses, be sure to update and amend your budget as needed. Remember, if your budget is not accurate, then it is not of much use.

What Items Go in to Your Budget

To give you an example of the items that you may need to include in your budget, we have provided a non-comprehensive list below. Please note that this list is not particular to your business and you will likely need to either not include everything within it, or include additional items not mentioned. Additionally, you may want to be more specific than some of the broader terms used below (i.e. instead of stating “Equipment Purchases” list each individual piece of equipment purchased).

- **One Time Cost Examples**
 - Office Purchase
 - Office Renovations/Fixtures
 - Deposits for Utilities
 - Rent/Lease Deposits
 - Office Furniture

- Equipment Purchases
- License and Permit Purchases
- Legal, Accounting and Consulting Costs
- Starting Inventory

- **Variable Cost Examples**
 - Material Costs
 - Variable Utilities
 - Office Supplies
 - Postage
 - Advertising, Marketing and Promotion
 - Gas
 - Travel Expenses
 - Shipping
 - Replacement Inventory
 - Maintenance
 - Entertainment and Networking

- **Fixed Cost Examples**
 - Rent/Lease
 - Telephone(s)
 - Fixed Utilities
 - Equipment Rental
 - License and Permit Renewals
 - Dues and Membership Fees
 - Insurance
 - Loan Repayments
 - Salary
 - Benefits

Build Your Budget

Now that you understand the concept of a budget, it is time for you to go ahead and build your own. We would suggest that your budget span at least a year and that you anticipate the specific One Time Costs and Variable Costs on a per month basis; your fixed costs should remain the same month to month and as such, you should not have too much difficulty in considering them. While you won't know what the exact amounts of all your future costs (especially your Variable Costs) will be, you should try to make as much of an educated estimate for what you believe the costs will be as possible.

Most of the information regarding costs can be easily located by searching the internet, making a few phone calls, and performing some general research; this is especially true for items such as utilities, rent payments, equipment costs, insurance costs, etc. The more complicated items such as employee payroll, travel expenses and material costs will likely require you to take more time to evaluate your business's needs and discover what you project these costs to be.

Please note that if you decide to build a Business Plan (see the final section of this guide), you will need to include a copy of your budget (likely with a 5-year projection).

Consider Projected Income

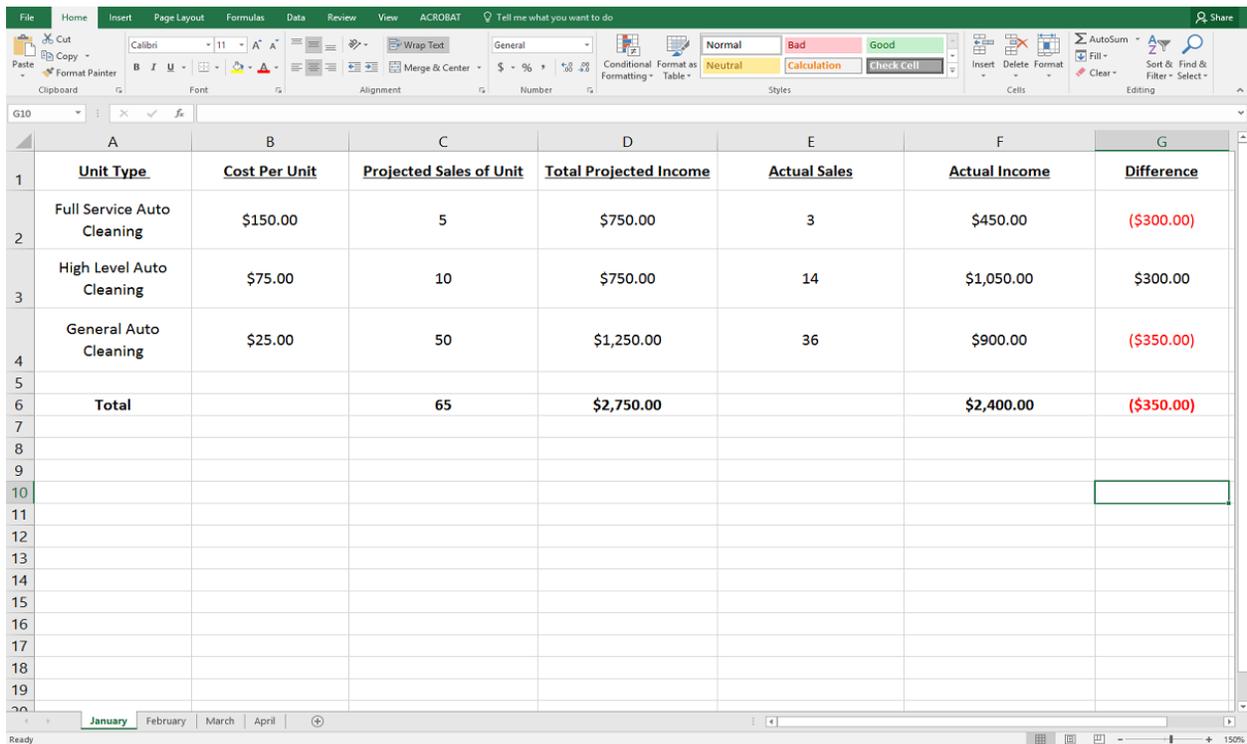
In addition to your budget, you will want to consider what your projected income will be over the first few years (1-5) of your company's existence. This can be accomplished by first defining what you believe to be a single "unit" for each of your services or products. Once you have defined your "units", then determine what the selling price of each such

unit will be. Much like you did for the budget, you will create a spreadsheet of what you believe your sales for each "unit" will be during each month for the next few years (1-5) of your business.

In order to provide credibility to your projected income, you will need to base your estimates on reliable sources. The best place to acquire this information would be from similar companies within the same industry as yours. If you are planning on opening a small business with comparable businesses in the surrounding area, then you might consider setting up a meeting with one or two of the owners of the similar businesses regarding what they believe the fair market value on your industry goods and services are. Otherwise, you can use sources such as The Bureau of Labor Statistics (www.BLS.gov), Bloomberg (www.Bloomberg.com), the Securities and Exchange Commission (www.SEC.com) or other entities which gather business statistics and information. Regardless of where you acquire your information, be sure to document the source as it may need to be verified by anyone reviewing your projected income.

An example as to how to prepare a projected income is provided below. Again, Microsoft Excel and other available programs do provide more expansive spreadsheets and applications designed to assist you with keeping track of your projected income. However, for simplicity sake, the below example is provided just to show you what information a projected income sheet should at the very least convey.

Unit Type	Includes	Cost Per Unit
Full Service Auto Cleaning	Inside/Outside Detail of Vehicle	\$150.00
High Level Auto Cleaning	Full Detail Outside/General Inside Cleaning	\$75.00
General Auto Cleaning	General Outside and Inside Cleaning	\$25.00



	Unit Type	Cost Per Unit	Projected Sales of Unit	Total Projected Income	Actual Sales	Actual Income	Difference
1	Full Service Auto Cleaning	\$150.00	5	\$750.00	3	\$450.00	(\$300.00)
2	High Level Auto Cleaning	\$75.00	10	\$750.00	14	\$1,050.00	\$300.00
3	General Auto Cleaning	\$25.00	50	\$1,250.00	36	\$900.00	(\$350.00)
4							
5							
6	Total		65	\$2,750.00		\$2,400.00	(\$350.00)
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							

Once you have prepared a projected income, you will want to line it up side by side with your budget. The primary item that you will want to locate while comparing your budget to your projected income is how long will it take your company to finally hit its "Break Even Point." The Break Even Point is the point when your company will no longer be losing money, but will instead either be breaking even, or making a profit. Having this information available is not only important for your own knowledge, but will again be something that any investor or lender will want to know about your business.

CONSIDER YOUR FINANCING OPTIONS

Now that you have an idea as to what it will cost to open and sustain your business, it is time to determine how you will finance this operation. While we hope that your business will start paying for itself almost immediately, the truth of the matter is that it likely will need some time to accumulate a client base and to start making a profit. In addition, start-up costs are generally a large portion of a company's initial budget and they tend to occur well before your company starts to accumulate a clientele. As such, you will need to find a suitable source of capital to start your endeavor.

The purpose of this section is to discuss several methods of accumulating finance for your business. We will briefly touch on several of the most common and relied upon methods of financing, and try to give you a little insight in to each.

How Much Will You Need

Generally, it is safe to assume that most businesses will require enough funds to run on its own for about six (6) months to a year to have a strong chance at being successful. However, this is very dependent on the type of business you are opening and how long it will likely take to start producing a steady income. For example, if you wish to open a company that develops computer software, you probably will not see a profit for several months; this is because you will need to open the business, develop the software, and then sell the software. On the other hand, if you open a business that refurbishes and repairs cell phones, you will probably have clients coming in your door on the first day you are open for business.

Be sure to determine a reasonable amount of money that you want to borrow based on how much time you believe it will take for your business to become self-sustaining. In order to determine this, you will want to closely review your budget and your projected income. Be absolutely sure to build some reasonable leeway in to your estimated capital amount as you will want to be prepared for a worst case scenario. This will come in handy for emergencies and for if it takes somewhat longer than you expected for your business to start acquiring a profit.

Different Ways to Finance Your Business

There are a variety of ways to finance a business; some being simpler and less risky than other. You should take in to account all of your options before you make a decision as to how you want to finance your business and then choose the method that best fits your needs. While you do not need to choose just one means by which you will finance your business, we highly suggest that you do not overextend yourself and acquire financing from too many sources; this would make it hard to keep track of where you received all your capital and, especially in the case of loans, may make it difficult to turn a profit if you have to many debts to repay.

The following are several options for financing your business:

- **Self-Fund** – most new businesses will at least be partially funded by the business owner(s). However, if you have the option to fully fund the financial needs of your business, then you may want to strongly consider this option. Obviously, the benefits of this method are that you do not need to worry about paying off any loans, you know where and when the money is coming from, and you can decide to cut your losses and walk away if the business is not successful as you projected. The downside of this method is that you will be placing your own money on the line with the possibility of not recovering should your business not succeed.
- **Bank Loan** – Lending institutions such as Bank of America or JP Morgan (and many smaller banks) still have divisions which will provide loans to small businesses. They will likely want to review with you your finances,



see what capital you will be investing, and will require you to personally guarantee any loan that they will approve. While this is a good option that many start-up businesses rely upon to acquire their initial capital, you should be careful to not overextend yourself as signing a personal guarantee means that you personally will be liable in the event that the business is unable to repay the borrowed amount.

- **401(k) Rollover** – it is legally possible to rollover your 401(k) in to a business venture and utilize the money as capital for your business with little to no tax consequence. However, the process is relatively complex and will require you to likely hire an attorney or an accountant in order to utilize this method. Additionally, it requires that your business be formed as a C-Corporation which is generally a more expensive entity type (and one that not all small businesses would choose). **Nowakowski Legal PLLC is available to assist with discussing this option with you and evaluating if it would be a good way for your business to acquire its startup funding. Contact us today to schedule a free consultation.**
- **Credit Cards** - we would never suggest that you utilize a credit card to fully finance the entirety of your new business. However, if used responsibly, a credit card can be utilized in emergency situations to occasionally extend your cash flow on months where you may have exceeded the budget. Additionally, utilizing a company credit card with some form of points or cash back rewards program can result in some great benefits so long as you timely repay the card each month. That being said, be sure that you do not fall behind on credit card payments and that you only utilize them with restraint.
- **Secure an SBA Loan** – the U.S. Small Business Administration is an amazing source for any person planning on opening a small business in the United States. We highly suggest that you visit their website as it provides a vast array of helpful information for new businesses (www.SBA.gov). Additionally, the SBA is willing to offer loans to many small businesses that meet certain qualifications. We again highly suggest that you visit the SBA website to learn more about the types of SBA loans that are available, and the process to acquiring an SBA Loan.
- **Family and Friends Gifts** – at the time this guide is being written, any one person can make a tax free “gift” transfer to you in the amount of \$14,000.00 annually. As such, if you have people in your life that would be willing to help you fund your new business, then each one of them is able to “gift” you \$14,000.00 with no tax consequences (and assuming its truly a gift, with no repayment requirements either). This would be a preferred method of raising capital for obvious reasons.
- **Family and Friends Loans** – in the event that a gift from family and friends is not possible, or if you perhaps need more than the allotted “gift” amount can provide, you can always discuss with family and friends the possibility of a personal loan or an intra-family loan. In order to avoid running afoul of the IRS, you will need to adhere to certain federally set interest rate requirements and you will also need to prove that you are entering in to a valid loan. Regardless, this is a preferred method of raising capital as it comes with many benefits; the interest rate is generally much lower than regular financial institutions, you generally avoid a lot of the red tape you need to go through with the banks, and if the lender is agreeable, they can technically “gift” you what you would normally have to pay in interest on the loan (although this cannot be done to the principle as it would alter the integrity of the loan in the eyes of the IRS). **Nowakowski Legal PLLC is available to assist you in preparing and overseeing any personal loan or intra-family loans that you would like to enter in to with your friends and family. Contact us today to schedule a free consultation.**
- **Outside Investors** - investors can provide capital unsecured by assets to young, private companies with the potential for rapid growth; however, they will generally only do so if you are willing to part with a certain percentage of your company. It is important to note that the only way that you will generally get the attention of groups or individuals like these are if you have a truly novel idea that has a chance of being very profitable. If you have ever seen the television show “Shark Tank,” then you will likely have a very good idea as to what Investors generally look for when buying in to a business.

CHOOSING AND FORMING YOUR BUSINESS ENTITY

Entity choice is a very important decision when first creating your business. Many small businesses fall in to the trap of thinking that by simply opening their business and placing a sign on their door they can they can avoid personal liability for their business's debts. This is a dangerous assumption to make and might not be true depending on the entity structure you decide to utilize for your company. We will discuss in this section the most common business entity types and provide a brief explanation on each so that you are able to make a more educated decision when it is time to choose which entity type you believe will best fit your business.

Regardless of how you wish to proceed, we highly suggest that you speak with an attorney and an accountant about which entity status would be best suited for your particular new business and to assist you in the actual entity formation process for your company. **Nowakowski Legal PLLC is available to assist you in all legal matters concerning the determination and creation of your business. Contact us today to schedule a free consultation.**



Types of Business Formation

The type of business formation that you choose will not only have liability implications, but will also affect the way your business pays taxes. Choosing the correct entity type for your business is not a decision you should take lightly. While you can always decide to restructure your business at a later date (i.e. change it from one entity type to another), it will likely benefit you to strategically decide which entity type to begin with, and plan for which entity type you would like to end with. A brief explanation of each entity type is provided below.

- **Sole Proprietorship** – if you wanted to start doing business this instant, a sole proprietorship would be the entity choice for you. In order to form a sole proprietorship, you essentially just need to start doing business; no formal legal process is required. This is because a sole proprietorship makes absolutely no distinction between the business and yourself. Your business's taxes are your taxes, your business's income is your income, and your business's liability is your liability. For some, this might not be an issue, but for most, this could be a devastating problem just waiting to happen.

The only real requirement for a sole proprietorship is that you are the only owner and that you simply start to do business. Depending on the type of work that you perform, you may need to acquire permits or licenses, but that is more dependent on your location and business type; in order to determine this, you can usually contact your Secretary of State and local County Officials to inquire as to any required permits or licensing requirements.

Taxes are not very difficult for a sole proprietorship as you will only need to file your business's taxes along with your own. Regardless, it is advisable that you still utilize an accountant for assisting you with your personal and business taxes as they will be able to assist you with any and all deductions you may be afforded due to your new business.

Additionally, if you choose to utilize a sole proprietorship, you may need to file a fictitious name or a "Doing Business As" name. This is generally only required if you do not want to use your real name as the name of your business. The purpose of being required to file a fictitious name is so that a person is able to know who



to locate in the event they need to speak with the business owner (i.e. generally, this is for legal matters in which a party is injured and they want to know who to bring action against).

Advantages of Sole Proprietorship	Disadvantages of Sole Proprietorship
Easy and Inexpensive to Create	No Liability Protection
Simplified Taxes	Does Not Really Attract Investors (i.e. they can't acquire ownership in a "Sole Proprietorship")
You are the Only Owner	You are the Only Owner

- Partnership** - a partnership is very similar to a sole proprietorship, but with multiple owners. As such, it is again a very simple business entity to form. However, a partnership does require a few additional formalities that a sole proprietorship does not. You will need to register your business with the Secretary of State, acquire an Employer Identification Number (EIN) from the IRS for your company, and once again deal with any permits or licenses necessary for your business.

Additionally, as you will be forming a business with other individuals, you will want to form a legal partnership agreement in order to solidify everyone's understanding of their role and relationship within the partnership. This agreement should memorialize factors such as percentage of ownership, division of duties, dispute resolutions, and potential dissolution. Any partnership agreement should be drafted by a professional attorney to ensure that it includes all the material terms and conditions that you and your partners will want addressed. **Nowakowski Legal PLLC is available to assist in the event that you require assistance with the drafting of a partnership agreement. Contact us today to set up a free consultation.**

Regardless, it must be noted that a general partnership does not offer any of the partners any form of liability protection. Each person in the partnership will be jointly liable for any and all company caused damages and/or debts; essentially, any one of the partners could be held accountable for all of the company's liability.

Taxes for a partnership are generally a little more complicated than for a sole proprietorship as well. As stated above, you will need to register with the IRS (i.e. EIN) and likely some state and local agencies as well. Your partnership will be required to file an "Annual Information Return", but the company itself does not pay income tax. Instead, the profits and losses are said to "pass through" to the business's partners. While this is not overly complicated for purposes of filing taxes, it is again suggested that you utilize an accountant for purposes of making sure that your taxes are filed appropriately and that all deductions are accounted for.

Advantages of Partnership	Disadvantages of Partnership
Easy and Inexpensive to Create	Joint Liability – You Could Be Held Liable for Your Partners Mistakes
Simplified Taxes	Have to Share the Profits
You Have Other Partners to Share the Expenses and Duties With	Disagreements with Partners

- Limited Partnership (LP), Limited Liability Partnership (LLP) and Limited Liability Limited Partnership (LLLLP)** – a limited partnership is much like the general partnership as described above, except with the distinct difference that it splits owners in to two classes; general partners and limited partners. The limited partners



do not have decision making authority within the company, but are also not liable for the debts of the company (other than what capital they have invested). The general partners on the other hand do have decision making authority, but are fully susceptible to liability on the part of the company. Limited Liability Partnerships and Limited Liability Limited Partnerships are similar to Limited Partnerships in that they all have general and limited partners, but depending on which state you are in, LLPs and LLLPs might have liability protections that also extend to the general partners.

In order to determine if you can form an LP, LLP, or an LLLP, you will need to check with your Secretary of State. Not all states allow for the formation of each of these entity types. If your state does allow them, you will find that these are one of the simpler entity types to file for. However, you will still want an attorney to assist in the entity creation in order to insure it is properly completed. Additionally, you will want to have an attorney prepare a partnership agreement describing all the partners' roles, responsibilities, and duties within the company. **Nowakowski Legal PLLC is fully capable of assisting you in the formation of an LP, LLP, or an LLLP and can prepare any necessary documentation related thereto. Contact us today to schedule a free consultation.**

Taxes are again much like they were within the above described general partnership; they will generally "flow through" the company and go directly to the partners. However, we again highly recommend that you seek out an accountant to assist you with any potential tax advantages with these entity types and for preparing your company's taxes.

It should be noted that while LPs, LLPs, and LLLPs are somewhat popular entity types, they are not the strongest in terms of liability protection. LPs leave your general partner(s) directly open to liability and not all states recognize or uniformly regulate LLPs and LLLPs (i.e. LLPs and LLLPs protections might vary from state to state). As such, we suggest that these entity types only be chosen if you have a full understanding and strong reasoning for wanting to form this entity type or if forming an LLC or a corporation is not a viable option.

Advantages of LP, LLP, and LLLP	Disadvantages of LP, LLP, and LLLP
Liability Protection (Maybe)	Liability Protection Might Not Be Available for Everyone
Easy to Form and Maintain	Not Uniformly Regulated and/or Recognized from State to State
Easy to Distinguish Partner Authority and Duties	Disagreements with Partners

- **Limited Liability Company (LLC)** – a limited liability company (LLC) is a popular business entity type which allows not only for limited liability protection, but also provides several tax options for its members. This is one of the more advantageous entity forms for a small business to utilize. The filing requirements are slightly more complicated than that of a partnership, but less complicated than creating a corporation. Additionally, LLCs usually have annual filing requirements, but again, they are generally not very burdensome and are much more simplistic than corporate requirements.

Much like the partnerships described above, LLC's default tax status is to allow for its taxes to "pass through" to the members. Essentially, your LLC will not be taxed as a separate business entity; instead, all profits and losses are "passed through" the business to each member of the LLC. However, if it ever becomes advantageous to do so, you can elect to change your LLC's tax status to that of a C-Corporation or an S-Corporation (more on those later) while still staying an LLC. As we have stated before, you will want to speak with an accountant regarding your business's tax options in order to determine what would best benefit your business.



In order to form an LLC, you have to file Articles of Organization with the Secretary of State. In addition, you will likely want to have an Operating Agreement prepared and entered in to by all the LLC's members. An Operating Agreement is essentially the document that sets forth the rules and regulations for how the LLC will be structured and ran; most importantly, it will define the responsibilities and duties of your LLC's members and managing members. Additionally, you will need to acquire any and all local, state or federal permits, licenses, and an EIN (if you have more than one member). It is highly suggested that you have an attorney assist you with creating your LLC and preparing any and all supporting documents that you will require. **Nowakowski Legal PLLC is fully capable of creating your LLC and in assisting with fulfilling any and all other requirements associated with your business.**

Lastly, it is important to note that most states require LLC's to file some form of annual recordkeeping. However, it is generally very minimal in comparison to the recordkeeping requirements of corporations. As such, LLC's are considered to be relatively easy to maintain in regards to their recordkeeping requirements.

Advantages of LLC	Disadvantages of LLC
Limited Liability	Not Always Easy for Members to Leave
Relatively Easy Recordkeeping Requirements	Failure to Have Operating Agreement Means State LLC Laws Will Control
Easy Formation and Distribution of Membership	Disagreements with Partners

- **Corporations (S-Corp and C-Corp)** – a Corporation is an independent legal entity owned by individual shareholders. What this means is that a Corporation, for all intents and purposes, is considered a legal entity in and of itself which can be held liable for the debts and actions the business incurs; as such, the shareholders are insulated from the liabilities of the Corporation. Corporations are generally the most complex business structures to form and maintain due to their costly administrative fees, regular recordkeeping requirements, and tax and legal requirements. However, they also hold the most potential for acquiring long term tax advantages and for building capital through the sale of its “shares.”

Forming a Corporation is very similar to the steps taken in forming an LLC. However, instead of filing Articles of Organization with the Secretary of State, the Corporation will file Articles of Incorporation. Again, you will need to obtain business licenses, business permits and an EIN. Additionally, you will need to make sure that whatever name you choose for your business is unique in your state, and that it includes the words Incorporated, Inc., or some other accepted identifier required by your state to show that your business is a Corporation. Lastly, if you wish to form an S-Corp, additional steps will be needed to “elect” this form of corporate status.



Once a Corporation is formed, you will need to have bylaws (and likely a shareholder's agreement) prepared for your company; these are similar to a partnership agreement or an operating agreement, but specific to a Corporation. Multiple other documents will need to be prepared and kept for purposes of operating a Corporation as well; again, in terms of complexity and ongoing requirements, Corporations are generally held as the most burdensome in that regard. An attorney is highly suggested for purposes of forming a Corporation and helping you through all the legal paperwork. **Nowakowski Legal PLLC is fully capable of helping to form your Corporation and in assisting you with any documentation requirements associated with your business.**

The primary differences between a C-Corp and an S-Corp are tax based. Below is a general explanation of how each of the two (2) types of Corporations are taxed.



- C-Corp - C-Corps are taxed at both the corporate level, and then again when disbursed to the shareholders (i.e. the individual level). This is because the Corporation is considered an individual entity and as such, is taxed as an individual entity. This is not to say that there are not certain advantages to having a two-tier taxing mechanism, but if not properly handled, you may find yourself paying much more tax than you would utilizing a different business entity type. As always, we highly recommend communicating with your accountant regarding all tax related questions pertaining to your business.
- S-Corp – S-Corps are elected forms of a Corporation that allow you to have your profits and losses “pass through” the company directly to the individual shareholders. As such, they do not suffer from the double taxation that C-Corps do. However, this generally comes at the trade of only being allotted a limited amount of “shares” that can be disbursed, and that any persons that are shareholders of the company and who also work for it must be paid a “reasonable compensation.”; essentially, the “reasonable compensation” insures that the individual will be paying a fair amount of taxes on his/her income. Again, the intricacies of the tax benefits and filing requirements of a Corporation are best discussed with a knowledgeable accountant.

Advantages of a Corporation	Disadvantages of a Corporation
Limited Liability by Corporate Entity Status	Complicated Annual Requirements
Stocks Allow Flexibility in Acquiring Capital and Managing Ownership	Complex Tax Requirements
Tax Advantages	Much More Time and Money to Create and Maintain Corporate Entity

OFFICE SET UP

Selecting an office and acquiring the equipment you will need to have it run efficiently is no easy task. Will you want a fully rented building with room for multiple employees? Would you prefer to keep your operation small and simply run it out of your home? What equipment, services, software, people and help will you need with setting up your office? These are all questions that you need to consider prior to opening the doors to your business.

This section is intended to help you understand and consider many of the items that will be needed for your business's office. While this is not a fully comprehensive list and is not tailored to your specific business, this section will discuss many of the items a small business will generally need.

Selecting Your Office

Once you know the geographical location in which you want to set up your office, the next step will be deciding which type of office you would like to work out of. Depending on your size requirements, aesthetic requirements, and cost requirements, you have several available options from which you can choose your office.

- **Home Office/Virtual Office** – if you are operating on a shoe-string budget, or if you simply do not need much in the way of office space for your business, then a home office or a virtual office may be an excellent option for your business. Add this together with the fact that many Virtual Office organizations can provide you with the occasional office necessity (such as a business mailing address, conference rooms, and even phone reception), and you have excellent reason to choose this option. Many virtual offices even provide for regular networking events which can be utilized to help get your business's name circulated in the area.

Additionally, some “office solution” applications and other programs have recently been developed that can provide you with online office portals for interacting with and/or servicing your clients. This can allow you to meet with clients via online video chat, bill clients through online invoicing, or can even assist you with keeping track of your businesses documents.

Below are some providers of Virtual Offices and Office Solutions that come highly recommended.

- **Regus** - <http://www.regus.com/> - a popular provider of Virtual Offices (and permanent offices), Regus can provide a business with a mailing address, conference rooms, receptionists, and the ability to upgrade to a more permanent solution if the necessity eventually arises. In addition, Regus will allow you access to their extensive member network in which you will be able to communicate and discuss ideas with other Regus members.
- **GoToMeeting** - <https://www.gotomeeting.com/> - a virtual meeting solution for situations in which you are unable to meet with a client or clients in person. This online meeting software not only provides you with the ability to easily set and hold video conference meetings, but it also allows for easy business presentation due to its screen share capabilities.
- **ShareFile** - <https://www.sharefile.com/> - an online office solution for managing interactions with clients. Allows you to create unlimited client portals for each of your clients which provides them access to the information and documentation you want them to see. This is a very helpful cloud based tool for any office, not just a home based office.



- **Co-Working Office Solutions** – co-working office solutions have become a popular new trend within the startup business community. Several office leasing companies now exist that can provide their customers with a community office in which to work (i.e. the space is shared with other individuals), a business mailing address, office amenities, a professional store front, and multiple networking opportunities. These co-working office providers are generally located throughout major cities and will allow for you to utilize any of their offices in the event that you find yourself traveling from city to city. Add to all this the fact that co-working offices are generally very inexpensive to rent, and it becomes clear that this is a very strong solution for many businesses that are just starting out.

In the same vein as the professional co-working offices described above, many people have found a similar solution in renting an office building or suite together with several other small business owners. The major difference between this and the professional co-working solution discussed above is that you may not have all the same office amenities and perks provided to you as you would with one of the professional co-working leasing company. However, you will have a better opportunity to choose your co-workers, you will be able to personalize your workspace, and having your own office (even if it is shared) adds an additional layer of credibility with your clients.

Below are some providers of Co-Working Office Solutions that come highly recommended.

- **Wework** - <https://v2.wework.com/> - a popular co-working office provider, they have multiple office buildings located throughout the United States. Even at the most inexpensive level, you will have access to a shared office 24/7, can utilize the free Wi-Fi, their extensive online network of members, free beverages, available conference rooms, attend their many networking events, and benefit from their many other additional perks.
- **Local Co-Working Offices** – it seems that almost every major city now has several co-working facilities opening up throughout. Do a quick search of your area to determine if there are any that would suit your business's needs.
- **Standard Office**– a standard office will provide you with a space to call your business's own, but it will also be relatively expensive in comparison to the other options. The obvious benefits of having your own office are that you do not have to worry about being interrupted by other businesses, you have the ability to better impress clients, and you can structure and organize the office in any fashion that you would like.

Things to take in to account when renting an office include how big is the work space, will your landlord allow you to renovate/remodel the space, and will you be required to insure the property yourself. You will want to be sure that you review and negotiate your lease to insure you have all the amenities and features you need, and to determine if there are any terms to the lease that could be detrimental to you or your business.



In the event that you require assistance in the purchase or lease of commercial property for your office or other business related need, Nowakowski Legal PLLC is fully available to assist you.

Office Equipment

Regardless of which type of office you decide to go with, you will need to make sure you have the appropriate equipment available for you to be able to do your work. The following is a short list of several standard items that most offices must have in order to be competitive in the market. This is not to say that these are the only pieces of equipment that



you will need for your business. Each business is unique and may require additional or different types of equipment than that which is suggested below.

- **Computer** – a computer is no longer a luxury in the business world, it is a necessity. Deciding on whether to get a desktop or a laptop is going to be a personal call; but we suggest purchasing a laptop simply due to the mobility it offers. Additionally, you can purchase a “dock” for your laptop and connect it to a monitor/mouse/keyboard station if you so desire. This will allow you the mobility of a laptop when you are on the go, and the traditional comfortable feel of a desktop when sitting at your desk.

Speaking of sitting down at your desk, we highly suggest that you invest in a dual monitor setup for your computer. This will greatly increase your efficiency as you will not have to constantly be switching back and forth between programs, websites, and other documents on your screen. As monitors are relatively inexpensive, this should not be a hard decision for you to make.

Both Microsoft and Macintosh make excellent Personal Computers and Laptops; however, recently they have created some excellent laptop designs in their Macbook Air and the Microsoft Surface Pro

- **Phone** – you will want to make sure that you have a phone available that is able to receive incoming calls from your business line. You can either purchase standard phones for your office, pay for a phone reception service, or simply utilize a mobile phone for this purpose. Regardless of which option you choose, we would suggest you acquire a phone number specifically for your business line which can be forwarded to your desired location. Most forwarding service provide you with the option to set up a multitude of options regarding where the phone number is directed; for example, you can set it up to go to your reception service during the day, and have it transfer directly to your phone in the evening.

Office phones can be purchased new from any office supply store or used from Craigslist, E-bay, or Amazon. Shopping around will generally find you a solid deal, but it is surprising how cheap you can purchase used (but still functional) office phones off of the internet.

Two very well-known and established companies that provide professional reception services are Back Office Betties (<https://www.backofficebetties.com/>) and Ruby Receptionist (<http://www.callruby.com/>). These companies will have live professional receptionists answer your business line for you with a script that you provide. They will then screen your phone calls and forward potential clients to whichever phone line you direct them.

The only requirement in purchasing a mobile phone for work is to make sure that it is at the very least able to receive and send your e-mails. Other than that, we would highly suggest either utilizing an iPhone or an Android based device as they will likely contain many useful apps for your business.

- **Scanner** – a scanner is necessary for pretty much any business. At some point, you will need to transfer over to your computer a signed agreement, photos, or other pertinent documents. Without a scanner you will have no choice but to borrow someone else's, pay an office supply store to use theirs, or purchase your own.

For new and small businesses, we suggest the Fujitsu ScanSnap. They are high speed color scanners which are relatively inexpensive and easy to use. If the price tag is a little too high, then we suggest purchasing a printer with a scan feature; however, it will likely not be as easy to use or as fast as the Fujitsu ScanSnap.

- **Fax Machine** – while not as widely utilized as they were a few years back, most professional businesses will still maintain a fax phone number. If you wish to purchase a fax machine, we would suggest purchasing either a printer or a copy machine with a fax feature built in. Otherwise, multiple online businesses exist which will provide you with a fax line phone number with your area code, will e-mail to you your incoming faxes, and will allow you to send out your faxes directly from your computer or scanner.



- **Printer** – same as a with the scanner, you are simply just going to need a printer. While cloud based transfers and e-mails have made it easier to transfer electronic documentation from one person to another, some documents just need to be printed in to a hard copy format.

With printers, you generally will get what you pay for. When you are just starting off, try to find a reasonably priced model with a decent print rate. Be sure to check what type of ink it utilizes and the life of each ink packet; the cost of ink is surprisingly expensive and can seriously dig in to a new company's budget. Once you have stabilized your company's income to a comfortable point, start to take a look at models such as the HP LaserJet Pro All-In-Ones. They are slightly expensive, but they are excellent printers and can fulfill your fax and scanner requirements as well.

- **Copy Machine** – until your business grows to the size that it requires a copy machine, we would suggest you hold off on purchasing (or even renting) one. While they are very valuable devices, the cost is only justifiable if your printing, copying and scanning is at a high volume. Additionally, if you are to purchase or rent a copy machine, be sure to acquire one that is an all in one machine and that has an excellent maintenance/repair warranty.

The brands which we see to be used most frequently and which have the least amount of problems are Hewlett Packard and Konica Minolta.

- **Coffee Machine** – this may appear to be a somewhat comical entry, but for most new business owners that work late nights and long weekends, a coffee machine may be the fuel they need to power through. We would suggest a quick and easy to use Keurig or other K-cup machine; they are relatively inexpensive and are well made devices.

Office Software and Applications

Much as you will need to have the proper equipment to run and manage your business, you will also need to make sure that you have the right software and applications. These programs can help you keep track of vital documents, track your company's finance, take payment from your clients, and much more. Bottom line, most applications and programs are designed with the purpose to simplify normally difficult and tedious tasks and thereby save you time and money. We highly advise that you take the time to research different types of software and applications that can assist your company. Below you will find several examples of software and applications which would be helpful to most businesses.

- **Accounting Software** – we previously discussed the necessity of budgeting in one of the above sections. While your initial budget can be determined without the need of some form of accounting software, you will need some sort of a system in place to keep track of your expenses and income when your business begins to operate. Without dedicated software to assist you with this requirement, you will have the very difficult task of pouring through all of your company's purchases, sales, payments, and other financial items on a constant basis. Avoid much of this hassle by purchasing a reputable piece of accounting software.
 - **QuickBooks** – <https://quickbooks.intuit.com/> - this program is pretty much the standard in accounting software. With the purchase cost now being converted to a monthly payment (about \$10.00 a month for the standard version), there is really no argument to be made for unaffordability. This program will be integral to your company. Not only can you sync it to all of your business accounts to allow for automatic updates, but it can also be set up for online invoicing allowing your clients (and you) a



simple and fast method of payment directly to your bank account. Additionally, QuickBooks is excellent at providing you with quick and easy to understand reports showing you the status of your company's finance.

- **Time Management Software/Applications** – for many businesses, time tracking software is a necessity. If you bill your clients on an hourly basis, if you want to measure how long certain tasks take to perform, or if you simply want to keep track of employee hours, you will need some form of time management software. Most time management software today is fully integrated with cell phone applications to allow for on the go updates.
 - **Harvest** - <https://www.getharvest.com/> - this is a very easy to use cloud based application that works on both your computer and your smartphone devices. It is a relatively inexpensive fee based service, but it is highly customizable and provides a very good system for keeping track of your time.
 - **Chrometa** - <http://www.chrometa.com/> - this computer program and smart device application utilizes a method of timekeeping that they have coined as “passive timekeeping.” Essentially, it keeps track of everything you do on your phone, tablet, and computer and then automatically updates your timekeeping software. However, it can get somewhat expensive with a cost that increases “per device.”
- **Communication Software/Applications** – if you have multiple employees who are not always in a centrally located office, or if you have clients that are located throughout the state (or perhaps the country), then you will need some way to facilitate ongoing and responsive communication. While the basic communication and SMS text message function of most smart phones will handle many of your communication requirements, large teams and complex communications will generally require something a little more sophisticated. Programs and applications exist that allow for multi-channel team text communication, video conferencing, online presentations, or even call management software.
 - **Slack** – <https://slack.com/> - Slack is a cloud based PC and smart device application which allows you to have multiple text channels through which you can communicate with your team members and clients. In addition, these channels are fully searchable, can be used to upload and download programs and documents to each other, and can be set up to only allow certain team members access to specific channels. With a relatively low cost point, this is an excellent solution to many companies' team and client communication needs.
 - **Google Voice** – <https://www.google.com/voice> - Google Voice offers you a solution in regards to consolidating your phone lines (i.e. cell phone(s), office phone(s), home phone(s)). Essentially, you may sign up with Google Voice and be provided one free phone number with the area code of your choice (assuming numbers are available in that location). You can then link as many phones to that number as you like, set which phones are to be forwarded calls from the Google Number, and much, much more. Many new businesses have used their Google Voice as their main business phone number as they can easily forward the calls to whatever phone lines they desire.
 - **GoToMeeting** - <https://www.gotomeeting.com/> - a virtual meeting solution for situations in which you are unable to meet with a client or clients in person. This online meeting software not only provides you with the ability to easily set and hold video conference meetings, but it also allows for easy business presentation due to its screen share capabilities.
- **Microsoft Office** – <https://www.microsoft.com/en-us/> - chances are you are already utilizing Microsoft Office in your personal life; this should be no different in your professional life. Programs such as Excel, Word,



Exchange, Notes, PowerPoint, and multiple others are utilized by almost every major business in the world. Add to that the new integration of Microsoft's OneDrive feature which allows you to save all of your Microsoft Office files to the cloud, and it is safe to say that this is probably the most important piece of software that you will purchase for your business. In addition, Microsoft has recently adopted a monthly fee structure for its Microsoft Office suite which makes it affordable for even the tightest of budgets.

- **Data Storage** – for many businesses, their documents, memos, e-mails, reports and other similar information is all stored on their computer. The primary concern for all of this information is that it is accessible to you, and that it is kept safe.

From an accessibility standpoint, cloud based programs can allow you and your team to share a cloud based drive from which team members can download, upload, and alter documents from any computer or device that has access to your cloud account. This means that no matter where you are, you can always have access to your documents and files.

In regards to data backup and storage, you need to consider worst case scenarios with your data. What will you do if your computers are damaged, destroyed or stolen? While cloud based folders can help minimize this to a degree, you will still need to have a regularly scheduled full backup of all your computers data. For this, you have two general options, a cloud based automatic backup that regularly and automatically synchs with your computer every few days, or a physical hard drive back up that you personally update on a regular basis.

- **Google Drive** - <https://www.google.com/drive/> - Google has a relatively robust and useful set of tools that can be utilized by any business. One of the most useful is their Google Drive feature which allows for you to maintain a shared online folder or folders for data storage. These folders are accessible only to who you provide access, but can be retrieved from anywhere you have a device and internet. Additionally, Google Drive is very reasonably priced with the first 15GB of storage actually being provided to you for free (at the time this guide is being created). In our opinion, this is a must have for almost every business.
 - **Carbonite** - <https://www.carbonite.com/en/> - a cloud based automatic backup of all your computers pertinent data. This is one of the simplest and most convenient methods for backing up your files and data. For a reasonable fee, you can sign up with Carbonite, it will be installed on your computer, and it will continuously back up all your documents, files, pictures, e-mails, and whatever else you are storing on your computer. Should anything happen to your data (lost, stolen, destroyed), Carbonite can restore your computer (or a new computer if the old one was lost) to where you were prior to whatever happened.
 - **Portable USB Hard Drive** – if you prefer to maintain your backup data personally, external hard drives or back up hard drives are a relatively inexpensive option. The most challenging aspect to utilizing a physical back is to set up a system in which you remember to periodically back up your data. If whomever is in charge of backing up all of your files fails to do so, or if the external hard drive itself is accidentally misplaced or damaged, then you will be in just as bad a position as if you had not purchased one in the first place. While this is a viable option for backing up your data, be sure you consider all that it will require.
- **Payment Software/Applications** – you will need to determine a method for your small business to accept payments. Will you only accept cash and checks? Perhaps your company will need a credit card machine for processing most of its charges. Have you considered the option of electronic invoicing?



Getting paid for the services or products of your business is one of the major reasons you are likely opening your business. That is why you need to make sure you have a strong, secure, and easy to use method set up for your customers to utilize the moment they wish to purchase from you.

- **Point of Sale Machines** – more commonly thought of as a “credit card machine”, these can be purchased from individual vendors or through several banks. If you regularly plan on making sales through credit card/debit cards, then this will be a necessity.
- **Square** - <https://squareup.com/> - this is a newer type of Point of Sale machine that is designed to be more accessible for businesses (especially newer and smaller businesses). They have multiple versions of their machine, but the most well-known is the tiny “square” you attach to an iPhone that allows you to swipe credit cards. But they also provide more standard devices which can read the new security chips, take contactless payment, and more. This is a very interesting, convenient, and easy to use method of taking payment that we highly recommend looking in to.
- **PayPal** - <https://www.paypal.com/home> - many businesses that utilize online sales receive their payments through PayPal. If your business expects to receive a good amount of business through online sales, then this is by far one of the best options you can look in to. That being said, PayPal can also offer a multitude of other methods through which a business can receive payment including online invoices, point of sale machines, and more.
- **QuickBooks** – <https://quickbooks.intuit.com/> - as mentioned above, Quickbooks has a feature which allows you to set it up clients for online invoicing. This provides a simple and fast method of payment that not only transfer directly to your desired bank account, but the transfer is also automatically updated to your accounting software.
- **Business Specific Software** – many industries and businesses can benefit from software specifically built to help manage their industry of work. A good example would be case management software for attorneys; many law firms utilize a type of software that is specifically designed to keep track of clients, court documents, court dates, cases, and other important information for attorneys. Other industries have built similar software to help them with their commonly handled tasks. Be sure to research this type of software and to ask your associates within the industry if they know of any such programs; this can be invaluable to your business’s success.

CONTRACTS, CONTRACTS, CONTRACTS

A contract is a mutual agreement between two or more parties that is intended to be enforceable by law. Businesses live and breathe through their contracts as they are used to define arrangements between clients, employees, investors, vendors, and a multitude of other entities. It is important to make sure that any contracts you intend to rely upon are well defined, easily understandable, and that they protect you and your business from any potential liabilities.

While it would be preferable, not every transaction made in the course of business requires an attorney to prepare a written contract. For example, a hotdog vendor does not need to draft up a contract each time he/she sells a hotdog to a customer on the street. However, for more complicated transactions you should at the very least have a well drafted “stock” contract developed for use that you can rely upon. Examples of these type of documents would be for general hiring documents, standard service agreements, sale of quality goods, bulk sales and waivers.

We highly suggest hiring an attorney to prepare a “template” for any documents that your business will regularly need to rely upon. If you have any specialized contracts that are highly complicated or extremely important to your business, we would advise that you hire an attorney to draft such an agreement to your company’s specifications. **Nowakowski Legal PLLC is experienced in the creation of both standard and complex business agreements and is more than capable of assisting you with any and all of your business’s contract needs. Contact us today to schedule a free consultation.**



Partnership Agreements, Operating Agreements, and Bylaws

If you plan on having multiple owners involved in your business, or if you simply want to define how your company will operate, you will need to speak with an attorney about having him/her prepare an appropriate agreement. Touched upon briefly in the above entity formation section, the preparation of a partnership agreement, operating agreement, or bylaws is dependent upon which form of entity your company has embraced. Regardless, it is important that your company prepare the appropriate agreement to avoid possible confusion and/or dispute amongst owners, and to avoid your local state laws being relied upon as the “default” for many of your company operations.

These agreements are intended to define the rights, duties, ownership percentage, powers and obligations of each of the owners (and managers/executives/etc.) of a company. In addition, these agreements will contain information defining the structure of your business, discussing the procedures for company meetings, explaining the methods for dissolution (if necessary), and many other critical subjects a business needs to have defined.

It is important to note that some states require the creation and filing of these type of agreements with the state for purposes of maintaining your entity status. In addition, should your company ever need to evidence to a court of law that it is indeed a real company, the court will likely rely upon such an agreement as evidence of existence. To put in a simpler sense, it is generally important that your company have these documents prepared and available.

- **Partnership Agreement** – a partnership agreement is an agreement between two or more individuals joined as partners (General Partnership, Limited Partnership, Limited Liability Partnership, etc.) to form and carry on as a business. While a partnership agreement does not need to always be created, it is highly suggested that you do so as it will define each of the partners’ responsibilities for both the business and toward one another.



In addition, a partnership is not considered to have a separate legal existence and as such, liability is generally applied jointly to the general partners of a partnership. While a partnership agreement cannot alter the ability for general partners to be held liable for their business, it can set up indemnification requirements for other partners to pay back any partners that were required to pay more than their share of liabilities.

It is highly suggested that you speak with an attorney about preparing a partnership agreement for any and all partnerships you wish to form. **Nowakowski Legal PLLC is experienced in the creation of partnership agreements and is more than capable of assisting you with any and all of your business's contract needs. Contact our office today if you would like to set up a free consultation to discuss how we can assist you.**

- **Operating Agreement** – much like a partnership agreement, an operating agreement is an agreement amongst limited liability company members governing the LLC's business operations, member/manager setup, and member/manager rights and duties. In addition, an operating agreement can be used to define the structure of the company, discuss how distributions of profit are made, set forth how allocation of tax responsibility will be handled, and a multitude of other items.

One primary difference between an operating agreement and a partnership agreement is that several states actually require LLC's to prepare and file with the Secretary of State a copy of their operating agreement. Additionally, an operating agreement will discuss whether the LLC is member run or manager run, and it will define the responsibilities of both.

It is highly suggested that you speak with an attorney about preparing an operating agreement for any and all LLCs you wish to form. **Nowakowski Legal PLLC is experienced in the creation of operating agreements and is more than capable of assisting you with any and all of your business's contract needs. Contact our office today if you would like to set up a free consultation to discuss how we can assist you.**

- **Bylaws** –Bylaws are the agreed upon written rules that govern a corporation. Generally, bylaws will set forth such things as the selection process for the board of directors, responsibilities of directors, the number of directors, the manner of calling corporate meetings, the maintenance of corporate records, the issuance of reports to stockholders, voting and proxy procedures, the regulation of the transfer of stock and other corporate matters that need definition.

Your initial bylaws will generally define the number of shares and their disbursement to the original shareholders. If at a later date you intend to take your company public, or if you intend to simply increase or alter the current number of shares, this can always be done through the amendment of your bylaws.

It is highly suggested that you speak with an attorney about preparing bylaws for any and all corporations you wish to form. **Nowakowski Legal PLLC is experienced in the creation of corporate bylaws and is more than capable of assisting you with any and all of your business's contract needs. Contact our office today if you would like to set up a free consultation to discuss how we can assist you.**

Employment Agreements, Non-Competes, and Work Product Agreements

As a company expands, so will its need for new and different employees. Each employee you hire will need to enter in to some form of an agreement with your business. Initially, your employment agreements might be a simple "form" documents that contain the expectations you have of the employee, and the compensation your employee will receive

in return. However, as your business and employee requirements begin to mature, you may eventually need to consider additional protections such as non-competes, trade secret agreements, and work product protections.



Regardless of what type of employee agreement you require, an attorney should be consulted to determine what it is specifically that you may need, and ultimately for preparation of the document. **Nowakowski Legal PLLC is capable of preparing any type of employment contract you may require, and will take care to make sure it includes the language necessary to protect your company (and of course to provide your new employee with terms of his compensation). Contact our office today to schedule a free consultation.**

- **Employment Agreement** – an employment agreement is exactly what it sounds like; it is an agreement to employ an individual for certain defined purposes in exchange for compensation. It is important to note that some employees may not need to sign a written employment agreement to work for a company; in some states, if no employment agreement is signed, the employee is considered to be hired strictly “at-will.” Essentially, strictly “at-will” means that you can fire the employee at any time for (almost) any reason, but the employee can quit at any time without limitation and for any reason.

While having strictly “at-will” employees has its advantages, it is not recommended for all of your employees. If you wish to place more restrictions and protections in regards to your employer-employee relationship, or if you want to dissuade valuable employees from leaving your company, you will need to have an employment agreement put in place. In addition, the more sophisticated and specialized employees will want to have a written contract defining the work they are required to perform, the pay and benefits they are to receive, and the structure for future evaluations and potential increase in salary.



For most situations, it is advisable to have at the very least a “form” employment agreement on file that you require all employees to enter in to with your company. It can (and should) be structured to maintain an “at-will” status with your employee, but to require certain items be adhered to by your employee. For the more sophisticated and specialized employees, there is no question that you should have drafted a custom employment contract specifically defining your relationship with them in regards to your expectations. **Either way, Nowakowski Legal PLLC is capable of preparing any type of employment contract you may require, and will take care to make sure it includes the language necessary to protect your company.**

- **Non-Compete Agreement** – a non-competes agreement will dissuade former employees from going to work for direct competitors, opening a similar business in nearby geographical location, or from taking your business’s hard earned client list without permission. You would either include the non-competes as a clause in an employee’s original employment agreement, or present it on its own at a later date when you find you have a need for an employee to sign one. Generally speaking, the type of employees that would normally be required to sign a non-competes would be those that have access to your client base, those that have intimate knowledge of your company’s inner workings and procedures, or those that you feel are high risk from being approached by your competitors to be hired away.



Non-competes agreements are relatively restrictive in nature, so courts tend to require that they be reasonably constructed. Hiring an attorney to discuss and draft these types of agreements is highly advised as a court may find an overly restrictive non-competes agreement to be unenforceable. **Nowakowski Legal PLLC is capable of preparing an appropriately restrictive Non-Competes Agreement that will provide your company with ample protection, but will also insure not to unreasonably infringe on the rights of your employees.**

- **Employee Work Product and Trade Secret Agreements** – employee work product and trade secret agreements are designed to keep the key components of your company safe. Whether it be designs for a product, a recipe for a meal, a procedure for services, or anything else unique to your company, these



agreements are designed to ensure that your employees cannot take and/or share your company's valuable confidential information.

An employee work product agreement is essential for when you hire an employee that develops anything for your company. It will set forth the understanding that anything created by said employee during the time period which they are employed by you will be the property of your business, not the employee. The premise of this agreement is that you are paying the employee to develop a product for your company, not for the employee's own personal use. A trade secret agreement on the other hand will prevent employees from divulging information already collected and retained within your company. It informs your employee that he/she cannot take the hard earned product of your company and utilize it for his/her own gain and/or provide it to others.

As per most agreements that restrict or prevent an employee from performing certain actions, you need to make certain that the contract is properly prepared. **Nowakowski Legal PLLC will work with you and your company to prepare the necessary documents needed to protect your company's work product and trade secrets. Contact us today to schedule a consultation.**



Sale Agreements, Waivers and Non-Disclosure Agreements

Meeting and acquiring new clients is one of the most challenging aspects of owning a business, but what do you do once you acquire their interest? Does your company have a purchase agreement ready for them to sign? Perhaps you have a potential client that is interested in what you have to offer, but they want to know more about the inner workings of your company. Providing potential customers with a tour of your facility or allowing them to review some of your company data might be a viable option in convincing them to purchase from you, but some facilities can be dangerous and your data may contain valuable company information. Having a client sign a waiver and/or a non-disclosure agreement could help to avoid potential misunderstandings with clients and will notify them of the conditions for having increased access to your company.

It is very likely that your company will eventually need to enter in to an agreement with some or all of its clients. When that time comes, it is important to be prepared and have a well-defined contract setting forth the transaction in as clear a manner as possible, but also putting in place necessary protections for your company. **Nowakowski Legal PLLC is available to prepare any and all client contracts your company may require. Contact us today to set up a free consultation.**



- **Sale Agreements** – a company's sale agreements contain the services and/or goods they are providing their client, the compensation the client is to provide in return, and the particulars as to how the transaction will occur. While not all sale transactions necessarily require a full written agreement, items such as the large scale sale of goods, long term service provision, or other such moderately complex transactions should always be memorialized in a contract.

A form agreement should be prepared and at your disposal for the more common transactions that your company will undertake with its customers on a routine basis. It is recommended that you have an attorney prepare these "form" agreement(s) for your business in such a manner that all your business needs to do is fill in the specific client information, select the applicable goods/services, and enter the agreed upon sale amount and your sale agreement will be ready for signature.

On occasion, your company may be required to prepare a more specific agreement or handle a more complex sale. In these instances, it would be beneficial for you to retain an attorney to prepare the more complicated



agreement for the transaction. **Nowakowski Legal PLLC is capable of preparing any and all sale agreements your company may require. Contact us today to set up a free consultation.**

- **Waivers and Non-Disclosure Agreements** – protecting your company should always be one of your top priorities. While a certain level of trust and consideration must be given to your clients, certain situations may necessitate the need for contractual protections to be put in to place. For example, perhaps your client would like a tour of your facility. A waiver agreement could allow a client access to normally restricted locations within your company in exchange for said client's promise not hold you or your company liable for any damages that may arise from their access to said locations. Or perhaps your client is hesitant to purchase from you without knowing more about your operation. A non-disclosure agreement would allow a client the ability to learn more about the inner workings of your company, define any sensitive information that he/she might be privy to, and ultimately require said client to acknowledge that disbursing or improperly utilizing said sensitive information would be punishable in some contractually defined manner.

Regardless of what the reason may be, inevitably a client (or potentially other individuals) may want something from your company that you would not normally be comfortable with providing. In these instances, be sure to protect yourself by having a waiver, non-disclosure, or other protective agreement prepared by an attorney. **Nowakowski Legal PLLC is capable of preparing any and all waivers, non-disclosures, or other protective agreements your company may require. Contact us today to set up a free consultation.**



INITIAL INTELLECTUAL PROPERTY CONSIDERATIONS

Many new businesses glimpse past the thought of protecting their intellectual property. But if you are the inventor of a product, if you wish to protect the identifiable mark of your business, or if you have a unique piece of artistry, then your business should deeply consider looking in to protecting its intellectual property in order to prevent others from benefiting off of your hard work.

Without the protection of patents, trademarks, and copyrights, businesses and individuals would not reap the full benefits of their inventions or artistry and would focus less on research, development or cultural expansion. Not only that, but under the right circumstances, if an outside entity was to file for intellectual property protection before you do on your product, they could prevent you from using your own idea/invention/work.

It is highly recommended that you protect your intellectual property sooner rather than later. Some protections may automatically come in to existence for certain portions of your intellectual property, but these protections are generally limited at best. It is highly advised that you speak with an attorney who is knowledgeable in handling and filing for the necessary intellectual property protections that your company may need. **Nowakowski Legal PLLC is available to assist with your intellectual property needs. Contact us today to set up a free consultation.**



Copyrights, Trademarks, and Patents

The following is a brief explanation of Copyrights, Trademarks and Patents:

- **Copyrights** – a copyright is a form of intellectual property protection provided to the authors of "original works of authorship." This would include such things as literary, dramatic, musical, artistic, and several other intellectual works. Essentially, if you write a book, film a movie, compose a song, or create some other form of cultural intellectual work, a copyright is what you would use to protect it.

It is important to note that upon the creation of your work, some copyright protections automatically exist for the work you created. To an extent, copyright protection is somewhat automatic and you will garner some protections from it without having to do anything. However, if you want the full protections that are offered under copyright law, you will need to have your work registered with the U.S. Copyright Office.

It is advisable that you speak with an attorney to examine if anything within your business could benefit from being registered with the U.S. Copyright Office. **Nowakowski Legal PLLC is available to assist with all your copyright protection needs. Contact us today to set up a free consultation.**

- **Trademark** – a trademark (or sometimes a servicemark) provides intellectual property protection for identifiable words, names, symbols, sounds, or colors that distinguish goods and services. Essentially, a trademark (or servicemark) is a readily identifiable brand that lets customers know who's product or service they are receiving. Your trademark can be a company logo (the Nike Swoosh), slogan (Nike's "Just Do It"), or even the way your company draws its name (Coca-Cola).

There are several ways to prevent third parties from using your trademark or servicemark. Generally, the most commonly used method is to file with the U.S. Patent and Trademark Office; however, depending on the circumstances, you may or may not have alternative options available to you. In order to determine if what form of trademark protection is best for your company, it is advisable that you speak with an attorney.





Nowakowski Legal PLLC is available to assist with all your trademark protection needs. Contact us today to set up a free consultation.

- **Patent** – a patent provides a property right to a person or entity in a new, useful, novel, and non-obvious invention. They generally last for twenty (20) years from the filing date of the application and will prevent others from exploiting the invention during that time period. Acquiring a patent will allow you not only the ability to exclusively use the design, but will give you the option to lease out the use of the design to others in exchange for adequate compensation.

It is important to note that filing for a patent is a difficult and complex process. You will need to seek out the help of an attorney (or other individual) specially licensed by the U.S. Patent and Trademark Office. If you have invented or developed an item that you believe to be patentable, then it is highly advised that you seek such an attorney to file for a patent.

PREPARING YOUR BUSINESS PLAN

A Business Plan is a 15 – 30 page document that is used to inform others of the details of your business, and can be used by you as a reference point to make sure your business starts on (and stays on) the right path. Within its pages, you will provide a detailed explanation of such things as what your business intends to provide, what your business's target market will be, what competition your business will face and what your business will need in order to accomplish its goals.

So why do you need a Business Plan? Well, in all honesty, there is nothing stopping you from skipping the preparation of a Business Plan and going right ahead to starting a business. However, if you intend to convince others of the potential in your company, if you wish to acquire a loan from lending organizations or from individuals, or if you simply just want to avoid the headaches (and expenses) of being ill prepared for the extraordinarily difficult (but infinitely rewarding) process of creating and running a business, then we would highly suggest that you take the time to prepare your Business Plan; it is worth it in the long run.

It should be noted that Business Plans are prepared and relied upon by companies at all levels of business. A fifty (50) year old established business may prepare a Business Plan if they intent to expand, reorganize, change tactics, or for a multitude of other reasons. However, this Business Start Up Guide focuses primarily on preparing a Business Plan for new businesses.

 **While preparing a Business Plan in and of itself does not necessarily require legal assistance, Nowakowski Legal PLLC is experienced in the preparation, development, and formal presentation that goes in to creating a professional Business Plan for new and small businesses. If you would like for our office to assist you in preparing your Business Plan, please do not hesitate to contact us for a free consultation.**

The following are the separate sections of what should be included within a Business Plan.

Executive Summary

The Executive Summary is quite literally the first substantive page of your Business Plan; think of it almost as a “cover letter” to your business resume. It is the summary of all that your Business Plan contains, and it is your first impression to whomever you present your Business Plan. In short, this is probably the most important part of your Business Plan.

It's important to note that your Executive Summary will be pulling information from the remainder of your Business Plan. As such, please be sure to only provide the key summary information required within this section as it is not intended to be a full analysis; instead, it is simply an overview section intended to prime and/or remind your reader as to the key points of your Business Plan. You should try to keep your Executive Summary section to about 1 - 2 pages at most.

Lastly, as your Executive Summary will be pulling information from the more detailed sections of your Business Plan, you may find it easier to wait to complete your Executive Summary until after you have finished the rest of your Business Plan. Regardless of when you finish your Executive Summary, just remember that it should always be the first section to appear within the pages of your Business Plan.

The following items should be contained and discussed in your Executive Summary:

- **Mission Statement** – a very general overview of how you envision your business, what you want to provide to your customers, what special qualities your business will contain to set it apart, and why you personally are taking an interest in creating this business. Think of this more as the ideal that your business is striving for; this should be more the philosophical concept which you want your business to follow.
- **Company Description** – a relatively brief description of what your business is, what it will provide, in what marketplace it will partake, and what demographic of consumers it will be trying to satisfy. If you believe your company will have some competitive advantages against other similar companies in the industry (i.e. focus on quality, advanced product, cost effective, etc.), describe what you believe these to be and how they will contribute to your success.
- **Products and Services** – describe in further detail the type of products and services that you will be providing to the public and the consumers you intend to target with them. If your service or product has novelty, then be sure to describe how your service or product is different from other competitors, and how this difference will give your company an “edge.”
- **Background and Experience** – provide a brief explanation of your (or your teams) background and experience and how it relates to the business you wish to open. Be sure to provide any information that lends support to your capability of succeeding in your business. Additionally, any information that gives insight as to your passion for this business is also recommended.
- **Market Analysis** – provide a brief paragraph demonstrating that you have performed some market analysis on your business. Please note that this will just be a summary of your market analysis as your Business Plan will also contain a section dedicated to performing an Advanced Market Analysis. This portion of your Executive Summary is intended solely to show your reader that you have done your homework, and that the market (hopefully) looks good for the type of business you are planning on pursuing. Essentially, what you are hoping to convince the reader of is that there is a need in the market, and your business is strategically designed to fill that gap.

Description of Services or Products

The following section of your Business Plan is intended to provide a thorough description of the services and/or products your company will provide to its customers. The goal of this section is to explain fully to your reader what your company’s product or service is, detail the particulars as to how your product or service is unique, and convince your reader that your business will be able to capably deliver this service or product to the consumer.

This section should be between 2 - 5 pages depending on the amount of services and/or products your company will provide and the detail necessary in preparing them for provision to your customers.

Be sure to provide the following key information in your Description of Services or Products Section:

- **What Is Your Service or Product** – provide a detailed, yet easily readable description as to what service or product you will be providing to your clients. Be sure to explain exactly what your service or product will be in the eyes of your customer; will it be a luxury, a time saver, a need fulfiller, a distraction, etc. You will want to use this description to express your excitement and faith in what your business will be doing. A reader of this portion should not only be able to walk away with a good understanding of what you intend your business to provide, but they should also walk away knowing that you are exactly the person to be doing it.



Once you have explained the general idea as to what your service or product will be, then start focusing on the detail as to how your company will provide a better or more unique version than your competitors. Why is your business going to be where customers go as opposed to your competitor? Will your services be cheaper, faster, higher quality; what will set you apart? Again, be sure that you not only include solid details of your product or service, but that you express your excitement and faith in the endeavor.

- **Development Stage and Future Development** – inform your reader if you have already developed your product or service, or if you are still in the process of developing it. If your company will be making and developing a product for purposes of sale, then you will want to inform the reader as to if you will be able to produce and start selling immediately, or if your company will need several months of research and development before it is able to start moving product. If you are selling services, then be sure to inform as to if any plans, methods, handbooks or other guidelines have been developed which will structure how your company will deliver its services.

Be sure to include how much time you will require to research and develop your product or service, what you believe the costs will be, and if you have any competitors that are developing or have already developed a similar product or service comparable to yours.

If your product or service does not necessarily require research and development, be sure to state as much and to inform as to why it does not.

- **Any Considerations to Take into Account Regarding the Service or Product** – what, if anything, will be a particular challenge in delivering your product or service? If you are selling a product, are the materials for your product expensive and hard to locate, is it challenging and time consuming to develop each unit, or has a competitor developed a similar product and already beat you to market? If you are providing a service, is it a service that you can easily convince your customer base that it has value, will you need to train employees on how to provide the service, or does the service need to adhere to any government regulations? All of the above are examples of items that should be taken in to account when providing a description of your service or product.
- **Are Trademarks, Patents or Copyrights Necessary** – will your products or services require you to acquire a trademark, patent or copyright? Essentially, a patent should be acquired if you have developed a novel invention and you wish to maintain the sole right to exclude or allow others from making, selling or using your invention. Similarly, a copyright should be acquired if you wish to do the same with a novel literary, musical, filmed, or other similar form of artistry. Trademarks (or servicemarks) are important for protecting the brand image of your company and should be preserved if you have a unique logo, slogan, or other identifiable items associated with your business.

If your company does have items you wish to obtain a trademark, patent or copyright on, be sure to list what they are, whether you have already applied for and/or acquired a trademark, patent or copyright on them, and if you foresee any potential contestation or issues in protecting your trademark, patent and/or copyright.

Additionally, you will want to discuss if you are the sole inventor of your product or the only person providing your service. If you have partners and/or employees that will be assisting, then inform the reader as to any protective agreements you have had them enter into such as an employee work product agreement, a non-compete agreement, or a non-disclosure agreement. **Nowakowski Legal PLLC is available to assist with such items and preparing employee agreements designed for the purposes of protecting your business. Contact us today to schedule a free consultation.**



Advanced Market Analysis

The Advanced Market Analysis section of your Business Plan is designed to not only convey to your reader convincing information of your company's potential success in its intended area of the market, but also to show that you, the entrepreneur, have taken the time to fully understand the market and how to take advantage of it.

If you are simply an entrepreneur with the hopes of opening a small traditional business, an extensive market analysis may not be required; instead, simply utilizing standard internet search tools, relevant business news, personal knowledge of the market and your location, and/or other similar sources *may* be adequate in fulfilling your Advanced Market Analysis requirements. However, if you are intending to create a more aspirational business or a business with increased complexity, then a more thorough market analysis is likely warranted. For a more thorough market analysis, we suggest utilizing the database of resources housed at the U.S. Small Business Administration website (www.SBA.gov); here you can find statistical business reports which include everything from demographic information to economic indicators. Additional helpful databases containing relevant market information can be found at Bloomberg (www.Bloomberg.com) and the Securities and Exchange Commission (www.SEC.gov).

Regardless of how you gather your market analysis information, you will want to make sure that you provide to your reader the following key information.

- **Overview of the Industry** – provide a description of the general industry you will be entering in to (i.e. the legal industry, the agricultural industry, the cell phone industry, etc.), the current size of said industry, and the recent growth rate of companies within said industry. Additionally, identify the average customer groups that tend to be a consumer of the relevant industry.
- **Overview of the Target Market** – having already identified your general industry, now provide a brief description of the target market within the general industry that you wish to have your company place a focus on. Another way of putting this is, “who specifically are the people you want to sell your service or product to?”. Do you want to target 18 to 25-year-old males in the Seattle area within the agricultural industry? In making this determination, it is important to find a segment of the market that is large enough to garner a profit, but not so large that your company has difficulty in maintaining a focus on it.

In addition to identifying your target market, also be sure to provide information on the current size of your target market, the estimated future growth of your target market, and how this relates to the geographical location within which you wish to pursue your target market.

- **Company Niche** – having identified your target market, now provide a description of the particular need or needs that you wish to fulfill for your target market within your general industry. Essentially, what specialized services or goods will you be providing to the target market that they won't be able to find at your competitors (i.e. what sets you apart)?

As you have probably surmised, this section is structured to begin with a general overview of your business's industry and narrow its way down to your company niche; basically, it provides a top down view of your target market for your reader.

- **Pricing Structure** – a pricing structure is the amount you will charge your customers for the goods or services your company will offer, and an explanation as to how you arrived at that amount. You will want to consider such items as overhead, material costs, labor, taxes and other such items when preparing your pricing structure. Lastly, you will want to take in to consideration what your competitors are pricing their services or goods at. Try to narrow down each available service and or product in to a “unit” and then place a value on each unit.
- **Competitive Analysis** – provide a comparative analysis of your competition on three (3) separate levels; within your industry, within your target market and within your company niche. Take in to consideration such



items as your competitors' market share(s), their strengths and weaknesses, whether your target market is the primary target market of your competition (or does your competition treat it as an secondary market to whatever their primary service or good is), is there only a small window of time for you to enter the market, is there anything preventing you from entering the market, is there room in the market for you to join, will your desired niche give you a strong advantage in the market, and anything else that would give insight as how much of a market share your company will likely have access to.

Regulatory Restrictions – research any applicable local, state or federal regulatory requirements which govern the business you intend to open. Focus on identifying the regulations which would be of a primary concern to your industry. For example, a small construction business may want to identify the Local and Federal Building Codes, the Occupational Safety and Health Administration, and other regulatory items with which they will need to adhere.

Marketing and Sales Strategy

The Marketing and Sales Strategy section is relatively straightforward; basically, how are you going to get the word out to the consumer about your service or product, and once they know about it, how are you going to convince them to buy it?

This section should be between 1 – 3 pages depending on how complex a marketing strategy you intend for your business to utilize.

Marketing

There are multiple ways in which you can approach marketing. However, as a small business owner, you likely will not be able to utilize and/or afford every single marketing avenue in existence. As such, you will need to identify which marketing strategies are best suited for your company, and then how you can use them strategically as to inform the highest amount of potential customers about your business as possible. The key will be to find methods which will reach as much of your target market as possible, will provide a strong message about your business, and will be within your company's budget. Again, the U.S. Small Business Administration (www.SBA.gov) maintains a large database of relevant reports and statistics; this would be a good start for determining what forms of marketing might best reach your client base.

The following method is a sample three-step plan you can utilize for setting forth your Marketing Strategy:

- **Introduction to Market** – explain your strategy for introducing your company to its intended target market. The introduction to market plan is essentially your marketing campaign for the first six months to a year of your business. It will focus on introducing your company to your target market. Please note that this stage also consists of a lot of set up for your continued marketing strategies in that you will prepare your website, business cards, social media sites, brand identity, and many other items which will carry on through your business's marketing identity for years to come.

The following are some examples on how to introduce yourself to the market:

- Signage
- Television or Radio Advertisement
- Print Ads
- Business Cards
- Social Networks (Facebook, Twitter, LinkedIn, etc.)
- Live Networking
- Building a Website
- Letters and E-mails to Friends, Family and Business Network



- **Maintaining Target Market** – explain your plan to maintain the interest of your target market over the long term. After all the effort you placed in introducing yourself to your customers, the last thing you want them to do is to forget about you. This type of marketing should focus on continued gentle reminders to those that have already been introduced to your company that you are still around, and that you are still available to provide them with your service or product.

In addition to the above marketing strategies, the following are some examples on how to maintain your target market:

- E-mail List for Company News and Deals
 - Training Employees Well in Customer Service
 - Regular Posting on Company Blog
 - Updating Your Website
 - Continual Updates on Social Network
 - Continued Live Networking
 - Holiday Mailing List to Clients
- **Expanding Target Market** – if you wanted to reach more of your target market, or if you wanted to start expanding slightly outside your target market, how do you believe you would approach this? Try and provide marketing plans that continue to reach your target market, but will also send a strong message to those that may be outside of it.

The following are some examples on how to expand on your target market:

- Expand your advertisements outside your current geographical location
- After you have built a customer base, determine if there are any groups of people within that base that are outside your current target market; if yes, investigate further and determine if those groups might be additional target market(s) that have a particular need or want for your service/product
- Consider Advertisement Campaign(s)

Sales Strategy

Once you have prepared a comprehensive plan for your marketing strategy, you will then need to provide information on your intended sales strategy. Thinking of it another way, assuming your marketing strategy works and it brings to your business interested customers, what then will be your plan to actually sell them your product or service? The sales portion should discuss two (2) primary items: 1) what will be your sales force, and 2) what will be the sale activity.

- **Sales Force** – a sales force is the person or persons your company will be utilizing to directly sell your service or product to your customers. If you will be the only person selling your service or product, then you yourself are your company's sales force. Describe how you intend to recruit your sales force, how many you will need, how they will be trained, what they will be paid, and any other pertinent information that is relevant to selecting your sales force.
- **Sale Activity** – your sales force will need to have a method by which they sell to your customers. Will your customers be coming in to your place of business, is your service provided over the phone, does your sales force make office stops at various different clients? Once you have an interested customer willing to listen, what will be your sales pitch? These are the type of questions that should be answered when considering the sales activity of your company.

Entity Status and Company Organization

This next part of your Business Plan will focus on defining the entity status you will be utilizing for your company and the internal organization structure of your business's management.

This section is designed to inform the reader as to if your organization will be a sole proprietorship, partnership, limited liability company, corporation, or some other entity status available in your state; obviously, this decision will have far reaching legal implications that can affect owner liability in the company, how the company will be taxed, and internal business organization. We highly advise seeking the counsel of a qualified accountant and a knowledgeable business law attorney. **Nowakowski Legal PLLC is available to assist you in the discussion and formation of your business entity. Contact us today to schedule a free consultation.**

Additionally, the purpose of this section is to provide your reader with the organization as to how your company's ownership and/or management team will be structured. This section will help to define who the owners of the company will be, what their roles will be within the company, who will be the management of your company, what their roles will be, and what the background and qualifications of each person involved are.

A good way to think of this section is as an x-ray of your company; it shows how everything will internally work and run.

This section should be between 1 – 4 pages depending upon the complexity of your business structure and the size and detail of your company management.

- **Entity Choice** – entity choice is very important in that determining which formation you choose can provide certain tax advantages, liability protections, and defined management/internal structure. We would advise that you speak to an attorney and/or an accountant about which entity status would be best suited for your particular new business. However, in general, most small businesses would benefit from simply forming a Limited Liability Company (LLC), and then either restructuring in to a corporation later, or later adopting the tax advantages of a corporation (yes, LLC's are sometimes granted the ability to adopt corporate tax mechanisms). **Nowakowski Legal PLLC is available to assist your company with entity formation (LLC, S-Corp, C-Corp, etc.); call our office today to set up a free consultation.**

For purposes of this Entity Status and Company Organization section, you are simply concerned with providing your reader a brief explanation as to what entity status you will be choosing for your company. This will give them a general insight as to how you intend to handle the internal ownership and management structure of your business (i.e. an LLC will generally have Managers and Members, a Corporation will generally have Shareholders and a Board of Directors, etc.).

Please note that an earlier section of this Business Start Up Guide (Choosing and Forming Your Entity) previously discussed the different entity types and some of the advantages and disadvantages of each. Reviewing that section will provide you with a good starting point in choosing which entity type will best suit your company.

- **Organizational Chart** – prepare an organizational chart containing the pertinent information for each of the individuals that will comprise significant roles in your organization. This list should include the owners (i.e. members, majority shareholders, partners, etc.), the management (i.e. the managers, the board of directors, etc.), and anyone else that will be playing a significant role in your company.

People reading your Business Plan will want to know that you have a structure in place for who will have what responsibilities within your business. Even if you plan on having a small and tightly run company (or maybe it is just you), anyone reading your Business Plan will want to know the key players that are in charge of the entirety of your new business (again, even if it is just you).

Also, if you will be having other owners and/or appointing others with management responsibility within your business, this is a great opportunity for you to sit down with those individuals and make sure that everyone fully understands what their position and responsibilities will be. This will make sure that everyone is on the same page and might help to avoid disagreements and confusion later on. Keep in mind however that your Business Plan is intended to be purely informational; it is not intended to be utilized as a formal binding



agreement amongst the owners. For purposes of formalizing agreements amongst the owners of a business, you will want to have an attorney draft the appropriate company bylaws, operating agreements or other necessary legal documents.

In providing the Organizational Chart, it is helpful to break it in to two (2) separate sections. The first section should be comprised of the Ownership, and the second section should discuss the Management. For each individual in each section, you will want to list the following information:

1. Name
2. Applicable Background Information
 - a. Education
 - b. Prior Employment
 - c. Industry Recognition
 - d. Skill Set
 - e. Track Record
3. Amount of Involvement in Company
4. Company Compensation
5. Company Position
6. Management Responsibilities
7. Planned Future Contributions

Information Needed for Owners Only

8. Percentage of Ownership
9. Type of Ownership (i.e. stockholder, member, partner, etc.)
10. Held Stock (if stockholder)

Financial Projections

After having already analyzed the market, you should have a solid understanding as to what it will cost to launch and maintain your business. Additionally, you should have a strong idea as to the amount of income a company in your industry should be able to earn. The purpose of this section is to provide your reader with a comprehensive explanation as to what your projected costs will be, what your business's projected revenue will be, and the amount of time it will take for your business to start becoming profitable. This should be projected over the course of at least 5 years.

This section should be between 3 – 10 pages depending on how complex your company's finances will be to memorialize.

- **Estimated Financial Projection** – most investors or lenders will want to see a financial projection of the first 5 years of your business. For the first year, you should stick to more detailed monthly projections. After the first year though, you can stretch it to a quarterly or yearly projections depending on the amount of data you have to work with and the value of knowing the detailed long term projections.

These projections will be directly related to the amount an investor or a lender would be willing to provide to your company. As such, make sure that your projections match your funding requests.

Once you have prepared and included all the data, provide a short analysis of your financial information at the end. If possible, include a ratio and trend analysis for all of your financial statements informing as to how you believe your business will increase over the discussed time periods. If possible, and if you are capable, try to include visual graphs and charts showing the projected upward trends you expect for your business.

When creating your Estimated Financial Projection, be sure to consider and include the following items:

- **Estimate One Time Start Up Costs** – prepare and provide a list describing the one-time purchase items you will likely need upon opening your business. These items would include such things as



forming your business entity, purchasing certain equipment, acquiring a patent, drafting employment contracts, initial marketing, licenses, permits, etc.

- **Estimate Any Future One Time Costs You May Have**— prepare and provide a list describing any one-time purchase items you foresee having to eventually purchase after the startup of your business. These items would include items such as additional equipment, vehicles, additional legal expenses, etc.
- **Estimate and Itemize Monthly Expenses** – prepare and provide a list describing any monthly costs for your business. Include such things as rent, insurance, payroll, utilities, materials, etc. It is important to note which of your monthly expenses will generally be fixed, and those that will fluctuate month to month.
- **Define Each “Unit” of Product/Service and Estimate the Selling Price of Each** – define what you believe to be a single “unit” of services or product. If needed, you can have varying “units” of sale for different types of goods or services that your company will provide. Once you have defined your “units”, then determine what the selling price of each such unit will be.

It is suggested that you provide examples of other companies within your industry and target market so as to give your reader a price comparison.

- **Estimate “Costs” of Each Unit of Sale Made** – provide what you reasonably believe the direct cost(s) of each unit of sale will be to your company. Take in to account such things as the material cost of building or preparing the unit, the cost of paying your employee to sell the unit, the cost of having the service performed for your client, and the cost of delivering the unit.
- **Estimate Sales Minus Costs by Month**— provide a monthly summary that shows your estimated sales per month, the estimate cost per sale, and the estimated gross amount accrued after subtracting the cost from each sale.
- **Explain How Your Company Will Acquire Payment Upon Sale** – provide information as to how your client will collect upon sale of its service or product. Will payment be due at the time of the transaction? Will you allow the customer to pay over time through monthly invoices? Will you provide sales on credit? All of this information is designed to indicate how soon and often you can expect to be receiving payment on the sales that your business makes.
- **Estimate What Your “Break Even” Amount Will Be** – your Break Even amount is a simple, but very effective financial feasibility test. It is used to find the amount of sales necessary to pay all fixed costs (and have zero income, but also zero debt). In your Business Plan, it represents a minimum acceptable performance. In order to determine your Break Even amount, simply take all projected costs for your first annual period (i.e. fixed, variable, sales costs, etc.) and add them together. Once you have the sum, divide it by 12 (for the twelve months in the year), and you will have the “Break Even” amount needed to be made by your company on a monthly basis in order for it to fulfill all of its financial responsibilities.
- **Estimate Business Growth Based on Industry Trend** – taking in to account other business’s within your industry that sell a similar product or service to yours, try and determine what you believe your business’s projected growth will be. This should include the anticipated growth in costs, expenses, sales, income, market share, workforce and any other relevant data you are able to acquire throughout your research.

This Financial Projection section of your Business Plan can be a complicated task depending on the size of your business and difficulty in determining your projected costs and income. Please be aware that plenty of entities do exist which are available to assist you with financial consulting should the need arise.

Appendix

The Appendix to your Business Plan should contain many of the supplemental detailed documents which you relied upon in preparing your Business Plan. As such, much of the documentation you will place in your Appendix will likely be relatively sensitive material; be aware that the Appendix to your business plan should only be provided on an “as needed” basis to reputable individuals or entities that require the additional information.

So what type of documentation would you generally include in the Appendix of your business plan? The following are a few, but not all, of the items which you may want to consider placing in your Appendix.

- Resumes for Key Personnel and Owners
- Patent, Copyright and Trademark Filings
- Product Information
- Existing Client and Vendor Contracts
- Business Licenses
- Entity Formation Documents
- Partnership Agreement, Bylaws, Operating Agreements, and other Similar Contracts
- Product Samples and/or Pictures
- Detailed Market Research and Studies
- Letters of Reference
- Contact Information for Advisors (Attorney, Accountant, Financial Planner, Etc.)
- Etc.

Depending on the number of items you provide within your Appendix, it may be beneficial to include a table of contents. This will quickly inform your reader as to what all is available within your Appendix and where it can be located. Additionally, depending on the sensitivity of information contained in your Appendix (and your Business Plan in general), you may want to maintain a distribution record of release and return. Finally, again depending on the sensitivity of information contained within your Appendix (and your Business Plan in general), you may want to include a disclaimer and/or require readers to execute a non-disclosure agreement.

CONCLUSION

We at Nowakowski Legal PLLC hope that this Business Start Up Guide was helpful in your journey toward building your new business. We congratulate you on your exciting decision to become a new entrepreneur and we wish both you and your business success in all your endeavors. Should you have any questions or concerns regarding any legal matters surrounding the formation, development or ongoing maintenance of your business, please do not hesitate to contact Nowakowski Legal PLLC.

Again, thank you for taking the time to read our Business Start Up Guide and good luck with your new business!