
WASHINGTON STATE

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BUSINESS PLAYBOOK



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PRE-GAME

There's nothing more exciting than starting or owning your own business. Whether you're starting an online business in your basement or planning to be a major player in advanced manufacturing, being your own boss can be one of the most rewarding career moves you can make.

The purpose of this playbook is to give you all the critical information you need to do business in Washington State, whether you're starting out from scratch, buying an existing business, relocating your company, or opening an office or facility within the state's borders.

Compared to getting into the game, figuring out how the game is played can be far more difficult. There's a lot to learn from a regulatory, permitting and filing standpoint and no one wants to get tackled by unexpected fines, audits or fees somewhere downfield.

This is by no means a comprehensive publication and you are encouraged to do your own research on opening and operating a business in Washington State. We also encourage you to download the state's wonderfully complete Washington Small Business Guide which has links to every agency you need to deal with as well as additional helpful resources.

The Small Business Guide is located online at: www.oria.wa.gov/site/alias_oria/345/default.aspx and has been translated into Spanish, Korean and Chinese.

GAME CONDITIONING

Starting and running a business is hard work. Before you take the field, you want to make sure you're in tip-top shape mentally.



GETTING INTO SHAPE

First, let's take an inventory of your strengths and weaknesses.

Are you a self-starter?

The success of your business is up to you. Are you able to get up in the morning and be ready to tackle the day, start new projects, organize your time, follow through on all the little details and make that difficult sales or collections call without putting it off? If you're the type who likes to hit the snooze button four or five times before rolling out of bed, then surf the Internet for a couple of hours before calling it a day, you probably aren't ready to start or run your own business.

Are you a people person?

Running a business requires that you wear many hats. You will be an employer, a customer service representative, accountant, collections person, consultant and janitor at various times in the life of your business, sometimes all in the same day. You'll work with a lot of different people at different levels, all requiring some level of finesse in dealing with anger, confusion, crankiness, dissatisfaction or even rage. How would you handle

the different personality types and emotions people bring with them into business relationships?

Are you a good decision maker?

Making tough decisions, often under pressure and without all the facts, is part of the game. Do you have what it takes to leave the huddle, call an audible and see it through to its logical conclusion, even if you end up improvising a bit to get to the goal?

Do you have the stamina?

Starting a business is not a 9 to 5 kind of job. You may find yourself working well into the night and on weekends, at least in the first few years. Are you physically, mentally and emotionally up to the challenge?

✓ **Can you create a solid game plan?**

Many business failures could be avoided if there had been better planning at the start. Do you have the research skills needed to forge a comprehensive plan for your business?

✓ **Can you stay focused and motivated?**

Starting and running a business is a lot like being on a rollercoaster. There will be lots of ups and downs. A fear of homelessness and starvation can be pretty big motivators indeed. Still, the question begs – do you have the ability to ride the highs and lows without losing sight of your vision and be able to show up for work every day, even when it's fourth and long and you're out of timeouts?

✓ **Will your family be supportive?**

It can be hard to balance work and home life, especially in the beginning. You may have to adjust your standard of living a bit to make ends meet or put off that family vacation you were planning to meet a last minute client request. Are you and your family willing to make short-term sacrifices for the potential long-term gains? Is your relationship strong enough to weather the inevitable conflicts between work, family and play?

Testing, testing!

You may want to take a few minutes and use a startup assessment tool to see if you're ready to give your business what it takes to succeed. The Small Business Administration has an excellent one at www.sba.gov/assessmenttool/index.html



20 Questions

No, this isn't the child's game by the same name. This covers the basics of your business, why you want to start a business, what you are going to sell and who's going to buy your stuff. Before you ever get to your business plan, you'll want to take some time to think about the type of business you want to start. Answer each of these as completely as you can. Feel free to use extra paper for this exercise. It will come in handy later when you start to work on a business plan.

1. Why am I starting/buying a business?
2. What kind of business should it be?
3. Who is my ideal customer?
4. What products or services will my business provide?
5. Am I prepared to spend the necessary amount of time and money that will be required to get my business off the ground?
6. What makes my business, product or service different from anything else on the market?
7. Where will my business be located?
8. Will I need employees? What skills should they have and what roles will they fill?
9. What suppliers do I need?
10. How much money will be required in the next 30, 60, 90 and 180 days?
11. Do I need to get a loan?
12. How long will it take before my products or services get to market?
13. When will I start making a profit?
14. Who is my competition?
15. What is my pricing strategy compared to my competitors?
16. What is the legal structure of my business?
17. What kind of taxes do I need to pay and to whom?
18. What kind of insurance will I need?
19. How will I manage the business?
20. How will people know about my product or service? Advertising? Marketing? Word of mouth?

O.K., so there are more than 20 questions here. But every one of them is important as they will help you get through the nuts and bolts of the Fundamentals (coming up next), get you into the game more quickly and put you on the offensive rather than the defensive as you try to score points with your customers.

DEAL BREAKERS

Congratulations! You might just have the right stuff to make a career out of this. Before you're ready for Training Camp, however, you want to review some of the reasons why others either never made it into the game or were sidelined from the start. Some businesses fail for more than one reason, hence the fact that all these percentages add up to more than 100%.

- 1. SOLVING A PROBLEM THAT ISN'T THERE.** According to research, this accounts for 42% of all failures. You fall in love with an idea so much that you lose perspective of whether it's actually needed or whether there is a market for it.
- 2. NO FLOW OF DOUGH.** It will take time to turn a profit. Approximately 30% of companies surveyed attributed a lack of cash as a deciding factor in closing their business before it could ever hope to make money.
- 3. AN INCOMPLETE TEAM.** Experts will tell you that you should invest in your team first, idea second. More than one business failed (actually 23%) because the founder was great at innovation but didn't know a thing about selling or managing finances.
- 4. BEATEN TO THE PUNCH.** You got a great idea, but the competition beat you to market. Far better to create a market where none exists than to try to beat your competitors at their own game.
- 5. PRICING PROBLEMS.** It's the Goldilocks problem. Are you too high, too low or just right? Being on either side of the right price can put you out of the game.
- 6. THE PRODUCT SUCKS OR IS MIS-TIMED.** A great idea poorly executed is a disaster in the making. Remember Microsoft's answer to the iPod, the Zune? 'Nough said!
- 7. LACK OF FOCUS.** Some 17% of companies surveyed said they didn't have a clear business model, which included not knowing how they would actually make money or get a return on their investment.
- 8. DIDN'T TELL ANYBODY.** Remember that old adage about the tree not making a noise in the woods if there's no one to hear it fall? Nearly 15% of companies surveyed found out the hard way that a product does not sell itself.
- 9. CUSTOMERS? SERVICE?** Not listening to customers or listening to them too much tripped up another 14% of companies surveyed.

Don't get sidelined.
Have a plan, think it
through, stay focused
and execute your plan.



10. LOSING FOCUS, LACKING PASSION. Some companies didn't lack focus; they simply lost it. This includes losing interest in your once great idea or trying to be too many things to too many people, pleasing none of them in the process.

11. INFIGHTING. Someone has to be the quarterback, someone has to be the coach. Not defining roles can lead to in-house squabbles that tear an otherwise good company apart.

12. TURNING ON A DIME. Knowing when you should cut and run or just run can be the difference between reaching the goal line and getting clipped along the way. Making changes for the sake of making changes has brought more than one company to its knees.

13. POOR LOCATION. Nearly 10% of companies surveyed said that they were in the wrong part of the country or had too many team members working away from the main office.

14. NO INVESTOR INTEREST. Bootstrapping is a noble way to start a business, but nearly 10% of companies said that they couldn't attract investors, standing alone in the end zone with no one throwing them the ball.

15. LEGAL TUSSLES. Stepping into legal quicksand killed approximately 10% of those questioned. In all the excitement of starting a business, they forgot to dot their 'i's' and cross their 't's'.

16. BURNOUT. All work and no play was the cause of failure in 8% of respondents. They just couldn't stand to face another day at work with no end and no rewards in sight.

Source: CB Insights

TRAINING CAMP: THE FUNDAMENTALS

If you're already in the game and don't need the basics, go ahead and skip ahead to Playing Offense on page 35. You already have the all fundamentals you need, so why waste your time with things you probably already know.

For the rest of you, let's start with an old adage: "Love what you do, do what you love, and success will almost surely follow." The secret to your success in business is two-fold. First, you have to find something that you're passionate about. It can be a product you've created, a service you can provide, a business that someone else is franchising, a consultancy, an ecommerce company, a cottage industry, a brick and mortar business – the possibilities are endless.

In sports, professional athletes clock a lot of hours training for the big game. Business is no different. You need to spend the time required to make sure your business is set up correctly so that you can open your doors with a sense of direction, purpose and complete focus on racking up sales.

10 EASY STEPS AND YOU'RE IN BUSINESS

Here are the basic steps required to start a business in Washington State. You can juggle the order some, but all the steps are important to your success.

1. Write a business plan, and hopefully, a marketing plan as well.
2. Choose a location for your business.
3. Determine, identify and secure financing.
4. Select a business name.
5. Determine the best legal structure and determine what's required to create it.
6. Fill out a Washington State Business Application and get a Unified Business Indicator number.
7. Get an Employer Identification Number (EIN) from the Internal Revenue Service if you have employees.
8. Open a business bank account.
9. Obtain the necessary business licenses and permits.
10. Understand your tax, employer and filing obligations.

THE GAME PLANS

The first thing you want to do for your business is to create a solid game plan. Business and marketing plans can be very simple or very complex. Make them as long or as brief as you need them to be. There is no right or wrong in this regard.

Business Plan

Here's a basic outline of what can be found in a business plan. Think of it as your firm's game plan. It contains things like opening balance sheets, income projections, cash flow analysis, target audience, competition, etc.

Regardless of your financial situation, a business plan is a good idea. If you're planning on seeking funding, it is essential.

Here's an outline of the elements needed in a business plan:

A. EXECUTIVE SUMMARY

Summarize what your plan is all about. Try to keep it to two pages. Put some sell into it, be passionate and enthusiastic, yet professional and concise. Include the goals of the business and your objectives. If you're looking for a loan, state the amount. Basically, this is an extended elevator speech; everything someone would want to know about your business in five minutes or less.

B. COMPANY DESCRIPTION

A brief history about your company, its products and services, target customers, location, key strengths, the state of the industry you're in, who the owners are and what the business structure will be.

What's your game plan?
If you are going to ask
for money to get started
they will definitely ask
to see your plan.



C. PRODUCTS AND SERVICES

Your products and/or services described in more detail, including price points, distribution strategies, an overview of your major competitors and how your products and/or services stack up to theirs.

D. MARKETING

- 1. PRODUCT/SERVICE.** Describe the product or service from the customer's point of view, including what they will and will not like about your product and/or service as well as the company itself. Explain why they want to buy from you and not your competitor and what value-added services you plan to offer to differentiate yourself in the marketplace (delivery, warranty, customer support, special offers).
- 2. ECONOMICS.** An analysis of your industry and how it is changing. Include a discussion about its growth or decline, how your product and/or service addresses a need in the market, describe your barriers for entry into the market, competitors that may enter the market down the road, etc.

- 3. CUSTOMERS.** Describe who your ideal customers are, what their characteristics are, demographics, where they are located, why they would want to be your customers, etc.
- 4. COMPETITION.** Provide an analysis of your competitors, including their size, where they are, what their reputation is in the marketplace, any niche they serve, their strengths and weaknesses and how you stack up against them.
- 5. STRATEGY.** Describe your pricing policy, how you plan to promote your products and/or services, sales support, customer satisfaction policies such as returns and warranties, and what the milestones of success are so you know when you achieve success at various points along the way.

E. SALES FORECAST

Provide as much detail as possible about your forecasted sales by product or service, by month and by year for at least two years. Include your break-even point and the projected point where you plan to start turning a profit.

F. OPERATIONS PLAN

- 1. PRODUCTION.** Describe your production methods, the process for developing new products and/or services and how you will manage quality and inventory as you grow.
- 2. LOCATION.** Explain where your business will be located and why it is a good location. You'll also want to cover whether you will lease, buy or already own the facility, building or property.
- 3. CREDIT POLICIES.** Give an overview of your credit terms will be and how you will handle collections.
- 4. PERSONNEL.** Describe the number of employees you plan to hire and at what point, their roles, a summary of their job descriptions, training requirements and onboarding process.
- 5. INVENTORY.** Assess the required inventory you will need to have on Day 1, Day 30, 60, 90 and so on. Factor in its value, vendor terms, who the suppliers are, whether you get discounts for volume purchases, what these price points are and whether vendors can warehouse excess inventory.
- 6. LEGAL ENVIRONMENT.** Describe licensing requirements, permits needed, insurance, zoning, government regulations, patents, trademarks and copyrights.

G. MANAGEMENT AND ORGANIZATION

Provide an overview of the management team, including each person's responsibilities, who the company's primary advisors are, and if there is an advisory board or board of directors, who will be tapped to serve on them.

H. PERSONAL FINANCIAL STATEMENTS

You'll want to include financial statements for all owners and major stockholders.

I. STARTUP EXPENSES AND CAPITAL

Include all the startup costs, divided into major categories such as Building/Real Estate – Advertising/Marketing – Inventory – Capital Equipment, etc.

Don't forget to add in a contingency category which covers costs you didn't catch initially. This should be 15 to 20% of all your estimated expenses.

Working capital is another important category. It's the money that is needed to operate the business and pay your bills while you're getting up and running. Lacking the necessary working capital is a recipe for failure.

J. FINANCIAL HISTORY

If you are purchasing an existing business, you'll want to include three years of financials in the appendix of your plan. This includes aging of accounts receivable to show what kind of revenue is expected and how much is past due 30, 60 and 90+ days.

K. ONE YEAR PROFIT PROJECTION

This is an important part of your plan. Projecting sales month-by-month for a year will help you plan your expenses more effectively. Be sure to include expenses that are not directly related to your product or service. This is your overhead; things like salaries, rent, insurance, phones, taxes, computers, etc.

L. CASH FLOW PROJECTION

This may sound mysterious, but it's really just an expression of how your bank account will look in the coming year or two. On the income side, cash flow means the money that arrives

in the bank account, not the money generated when a sale is made. On the outflow side, an expense occurs when a bill actually has to be paid, not when it arrives in the mail. This analysis will give you a real world projection of how much money will be in the bank at any point in time and help you control your expenses.

You can get free business plan templates from www.score.org. Just look in the Templates and Tools section of the website.

Don't be too put off by the components of a business plan. It's less daunting than it sounds. But you do want to spend enough time to do your research and perform your analyses so that the business plan is as accurate and complete as possible. Cutting corners only hurts your chances of making your business a success.



Marketing Plan

A marketing plan incorporates many aspects of a well thought out business plan. It differs in that it outlines your marketing in greater detail as well as your strategies for reaching customers, outmaneuvering your competitors and gaining market share.

A. EXECUTIVE SUMMARY

This is a summary of your plan so you want to write it last. It should cover the overall essence of your plan without going into all the extensive detail. Yes, another elevator speech.

B. MARKET REVIEW

This is a compendium of the research you did on the market in general. If you already wrote one for the business plan just copy and paste it here as well. If not, start writing and try to keep it clear, objective and concise. Add data to support your analysis.

C. MARKET SEGMENTATION

You can't be all things to all people. This part of your plan identifies your niche in the market so you know who is willing to buy your product or service. Your market can be segmented any number of ways, according to price, quality, region, customer demographics, buying patterns, etc. Price and quality are the most obvious, but look at all the possibilities so you can determine which segments are your targets.

D. TARGET AUDIENCE

Based on your market segmentation, describe your primary and secondary target customers. This is essential as too often businesses try to target too wide of an audience and miss everyone in the process with a bland, generalized message. You can always expand the breadth of your marketing later, but first you have to find those customers who are most likely to buy from you. Narrow

Imagine your ideal customer. It won't be everyone in the universe, so be more specific. Who is most likely to benefit from your product or service?



in and focus your targets. Once you have identified your primary audience, delve into the psychographics of why they would buy from you, what their pain points are, their spending habits, where they shop, what their social class is and their level of brand preference.

E. COMPETITIVE REVIEW

Time to look closely at your competitors. Be sure you examine your primary competitors as well as those who may offer a similar product. Describe each competitor. What are the strengths and weaknesses of their products or services? What are their strengths and weaknesses as a company? What weaknesses can you exploit? What is their pricing structure? Where do they advertise and how do they promote their products? What are their advertising budgets? What is their positioning? In other words, are they the category's premium product, are they in the middle in terms of price and quality, or are they the low price leader?

F. PRODUCT AND/OR SERVICE REVIEW

Time to talk about what you're selling. This should be relatively easy as you know your product or service inside and out. Cover your current pricing structure, how you'll distribute it, its position in the market, its benefits to the customer, etc. In short, why would anyone buy your product or service?

G. STRENGTH, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT)

This is one of the most important parts of your marketing plan. It articulates all the strengths, weaknesses, opportunities and threats that exist in the marketplace, something you should have uncovered during your research. This can be anything that might affect the sales of your product, the good, the bad and the downright ugly. Use enough detail to explain why each item is relevant to your product or service but don't write a book on it.

H. GOALS AND OBJECTIVES

Just the facts, ma'am. This is nuts and bolts stuff, including where you are now, where you're going to be five years from now in terms of sales goals and marketing objectives and how you're going to get there.

1. **SALES GOALS.** Make them concrete and measurable in terms of dollars and units. Set a level that is challenging but not impossible. Set a timetable so you can measure your progress and adjust your plan as you meet or come up short on targets. This includes your overhead for the year, your expected gross margin, projected profit and market share.
2. **MARKETING OBJECTIVES.** As you work through your target market and market segment data you should be able to come up with marketing objectives that address each group. These need to be measurable and quantifiable.

For example, you know that 2,500 customers bought an average of 2.5 widgets last year. There is an additional market of 3,500 potential new customers who will buy an average of 2 widgets each year. You can also upsell a service contract.

Your market objective for existing customers would be to increase your current customers by 20% and sell service contracts to 50% of those customers. For new customers your objective would be to sell your widgets to 50% of that new potential market and create a buying rate within that group of 2 units per year with service contracts being purchased for half of those units.

I. STRATEGIES

Time for the thinking cap portion of the plan. This is where you generate ideas about what your marketing mix will be, so you know where to focus your available marketing, advertising and public relations budget.

1. **POSITIONING.** This is the perception your target audience has of your product. You have the most control over this aspect of your strategy. Is it a niche product or does it have broader appeal? What are the main attributes of your product or service that your prospective customers would be attracted to? How does it meet your audience's need?

2. **PRODUCT.** Yes, you've been discussing your product or service a lot. But here you want to think about the value your customer will see in it. This includes how it is packaged, the warranties you are offering, etc. What do these say about your product/service and are they properly aligned?
3. **PRICING.** Pricing is critical as it communicates as much to the prospect as your advertising. Resist the desire to sell low as it won't necessarily generate more sales. Just look at Apple as the model for this compared to HP or Dell. Your customer may actually place more value on your product if you sell it for a higher price. Part of pricing is

determined by the market and your competition, but it is also determined by where you want to be in the market space.

4. **DISTRIBUTION.** Where are you going to sell your product? How are you going to get it placed there? Is it going to be widely available or more exclusive? Is it a city product or will it work better in rural or suburban areas? There's a big difference between selling your product in Wal-Mart as opposed to Macy's or Nordstrom. Try to match your desired image with the distribution channel and be prepared to adjust the channel mix as you begin to sell.

Remember, your business and marketing plans aren't museum pieces. These are working plans.



5. COMMUNICATIONS/PROMOTION. This not only includes the messaging that you'll use, but the tools you'll use to spread the word. Promotion falls into six general categories: advertising, public relations/publicity, marketing/social media, promotions and events, collateral/marketing materials and your sales force.

a. Advertising. This should include the promise you are making to your audience; i.e. what are you going to deliver that they want or need? What are the statements that back up your claims? What is the tone of your message – serious, playful, funny, accommodating, sympathetic? Why is this the right approach? What in your research supports these statements and this tone?

b. Public Relations. This part of the plan outlines how you are going to get media coverage. Why is the public interested in your product or service? Why should a reporter care? What are you going to have to say about your product? How would you handle a media call? What are your key messages? This part of the plan involves press releases, features, interviews, opinion pieces, speeches, photos, etc. Think about what makes you newsworthy.

c. Marketing. This includes email blasts, database marketing and social media such as Facebook, Twitter and blogs. The goal is

to generate inquiries and leads, build an audience, raise general awareness and actually sell the product and service.

d. Promotions and Events. This includes sales, temporary discounts, free gifts with a purchase, buy one/get one free, etc. It can include a calendar of your planned discounts, free samples, rebates, two-packs, sweepstakes, games, limited time products, etc. Around these promotions, what events will support them? This can be a product launch, an in-store demo (visit a Costco to get schooled on this), a media event or online seminar to promote the product or service; the possibilities are endless. Just remember that events can be expensive and really sap an already stretched marketing budget.

e. Marketing Materials/Collateral. This includes your sales materials, print materials, business cards and website. Identify what type of collateral you need and what each will be used for, what the messaging is, who it's targeted to, how many you will need, etc.

f. Sales Force. Your front line of sales. Consider what kind of training they will need and what their messaging to prospects and customers will be. You'll also want to cover trade shows in this section, if they are part of your plans.

J. ACTION PLAN AND IMPLEMENTATION

Rubber meets the road time here. This is where you'll go through your media plan, the matrix of what you're advertising and marketing where and how, timing, frequency, etc. and attach some budget numbers to everything.

1. **MEDIA PLAN.** This includes which media you will be using, the specifics of each medium, when and where you plan to advertise and frequency. Include why you chose each one and what your expectations are for the buy.
2. **BUDGET.** How much is each buy going to cost you? What is your total available budget? Look at the industry average spent as a percent of sales for products or services that are similar to yours. See if your budget is realistic compared to what others are spending. Finally, estimate

what you think your competitors are spending on advertising and marketing. Your final budget sheets should include an overview sheet showing the total marketing budget with a breakdown by strategy and by product and market segment.

3. **SCHEDULE.** Based on your planned buy and budget, you want to consider the scheduling of promotions. If the product is new, you may want to *front-load* your buy so that there is more advertising at the beginning of your campaign. You can also do a *heavy-up schedule*, which has specific times of the year that you advertise more heavily. This is ideal for seasonal products or products or services that are cyclical. *Flighting* is another option, where you do shorter periods of advertising, say three to six weeks, and then no advertising for another three to



six weeks. This will help you gauge response rates to your advertising and marketing tactics. This, combined with your messaging, should give you a media calendar that graphically tells you when to advertise, where, in what and what you plan to say.

- 4. ASSIGNMENTS** Now it's time to assign the work. Many advertising and marketing strategies need to be begun months in advance. You don't want to miss a critical date. Figure out who will handle these different advertising and marketing strategies. Will you engage a freelancer or an agency? Or will a staff member handle this function? Remember that marketing and advertising is a specialized skillset. You don't want to approach it roughshod or lull yourself into believing you can handle it when you're busy spinning a lot of other plates already. Put all the activities and who's doing them on a wall calendar or use a calendaring system on your computer so you can track your media strategy.

K. EVALUATION

There's no point in doing any marketing if you aren't going to gauge its effectiveness. You'll just be wasting your money. In your marketing plan you'll want to cover how you will measure success.

- 1. LEAD TRACKING SYSTEMS.** For each type of media, identify how it will be tracked. For instance, if you're buying advertising on Facebook or Google, how many people called to take advantage of your special offer or visited the special web page you created specifically for that campaign. What is your traffic like on your website? Did it increase after an article appeared about your product or service? Did leads increase as a result (assuming you have a lead generation capability on your website, which you should have)? Events are far trickier to track, especially trade shows or in-store promotions. Be sure to think of ways to measure success before you engage in a show or event.
- 2. SALES REVIEWS.** This includes a review of sales quarterly. Did sales increase? Did upsells increase? How many new customers did you gain from a campaign outlined in your marketing plan? How will you connect sales to these campaigns?

Remember, it's easy to lose focus when caught up in the day-to-day of your business. Use the business and marketing plan to guide you and update it from time to time as your business grows and changes so you stay on course.

WHAT NAME DO WE PUT ON THE JERSEY?

Every business needs a name and choosing one can be tricky. You may want to hire a company that specializes in this to do the naming for you, as you want to make sure that it is a name people will remember, will work well in your marketing and graphic design, won't be misspelled or mispronounced – or worse, have an unflattering meaning in a different language – and that your company won't outgrow it because you were too specific about what you sell or provide.

FIRST, LET'S START WITH THE BASICS.

A trade name is the official name you use to do business. It is sometimes referred to as a "DBA", or Doing Business As. A trade name does not provide you any legal protection and other companies may use the same name. For example, there's Pandora the jewelry company and Pandora the music streaming company. That said, you don't want to venture into dilution issues by choosing the name Pandora if you're going to be selling jewelry or music streaming, too. That just opens the door to a lawsuit,

or at the very least, a nasty letter from a lawyer. And you probably want to stay away from the name Seattle Seahawks, unless you want to get flagged for encroachment.

If you use any other name for your company than your own name, you need to register it when you fill out your Washington Business License Application. Each trade name is \$5.

A trademark is different than a trade name. A trademark is used to protect a brand name, which can also be your trade name if you are using it to identify products and services. For instance, Coca Cola is both a trade name (the name of the business) and its products.

If you plan to do business only in Washington State, you can file your trademark with the Secretary of State.

If your business will be regional or national, you may want to register it with the U.S. Patent and Trademark Office (www.uspto.gov). This is something that



should be handled by an intellectual property or trademark attorney, as the process can be cumbersome. Note that a federal trademark trumps a state trademark, so you may want to consider getting federal protection, just in case your business grows beyond state lines. It will also keep you from running afoul of other companies who have federal trademarks for a particular name.

You can perform an initial trademark and trade name search at <http://tmsearch.uspto.gov>.

THE HOME FIELD ADVANTAGE

Every business has to be somewhere. Even if you don't have a physical address and live out in the computing cloud, you need to have a physical address for your business in order to register it properly with the state.

Keep in mind that there may be additional licensing and permitting requirements in your particular community. For instance, some cities require a permit if you're going to have customers come to your home-based business since there are traffic and parking mitigation issues associated with this type of arrangement. If you rent, you may want to check with your landlord to make sure you don't violate your lease running a business in your home. Some communities also place restrictions on home-based businesses, particularly when it is in a development with a homeowner association.

Do your homework and locate your business where it makes sense to you and be sure to keep your physical address updated if you or your business moves so the state can contact you if there is a question or issue with your business accounts.

Playing At Home

There's no shame in being a home-based business. Lots of famous businesses have started in the garage or the basement. While running a business out of your home has many similarities to a bricks and mortar operation, you need to be honest with yourself in assessing the viability of operating out of your home.

Here are some things to consider before you clean out the spare bedroom to make room for computers or inventory.

MINDSET. Running a business out of your home can be filled with distractions, from the warm bed in the next room to the TV and refrigerator upstairs. Can you keep your eye on the ball and not get distracted by everything on the sidelines?

SEPARATION OF LIFE AND LIVELIHOOD.

No business is 8 to 5 in the beginning, but you need to ask yourself if you're able to resist checking your email every 10 minutes for new business or wandering back to the home office in the wee hours of the morning because you thought of something. It's easy to lose that all-important sense of balance between work and home life.

CUSTOMER RESPONSE. If your business requires meeting customers, a home can be an uncomfortable place to meet. You may want to come up with a different meeting place away from the home office so customers are comfortable and not distracted by your home décor or your two year old throwing a fit on the couch.

VERNACULAR. With the right word choices a customer doesn't even need to know you're working out of your home. Learn to use business descriptions for different locales, such as "fulfillment center" instead of garage, or "lunchroom" instead of kitchen. It's O.K. to sound like you are bigger than you are but if you're asked directly if you're a home-based business, don't lie.

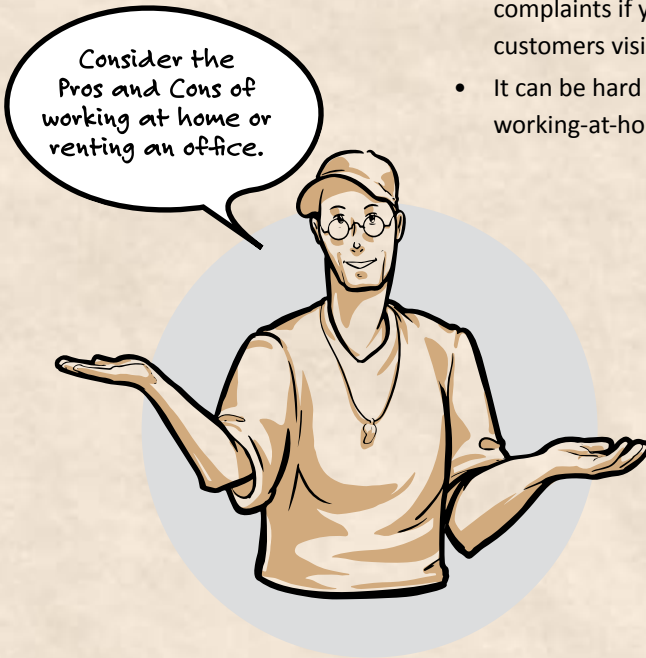
SPACE. Make sure you have the dedicated space available to run a business. A spare bedroom, the basement or garage are great. Keep the office out of your master bedroom; it will become an unwelcome mistress.

ADVANTAGES OF A HOME-BASED BUSINESS

- You can run it part time.
- There's no commute.
- Start up and operating costs are lower.
- Working hours are flexible.
- There are home office tax benefits.
- You can work in your jammies.
- Family members can help out in a pinch.

DISADVANTAGES OF A HOME-BASED BUSINESS

- Space can be at a premium, especially if your business and family are growing at the same time.
- Family life can be disrupted.
- You can feel isolated, getting into a work rut because you lack networking opportunities or social interactions.
- Balancing family and work demands can be difficult, such as keeping on task when the kids come home from school and want to tell you about their day.
- Neighbors may begin filing complaints if you have too many customers visiting your home.
- It can be hard to establish solid working-at-home patterns.



The Away Game

Either at the beginning or somewhere down the line, you may want to go with the “Away Game” and site your business outside your home. This option could mean a traditional bricks and mortar style operation or you may choose to go with an incubator arrangement or other shared space strategies.

Here are some things that could influence your decision:

BRAND IMAGE. Will the location be consistent with the image you’re trying to create or maintain? For instance, if you’re opening a dollar store it probably won’t be a huge success in an affluent neighborhood and it might not make sense to open a hip indie coffee café across the street from Starbucks. Location can greatly influence how your brand is perceived and you want your location and brand to align as much as possible.

COMPETITION. Who else is in town or even on the same street that may be your competition, either directly or indirectly? Sure, you may be the only Mexican restaurant in town, but other eateries are also competing for your customer’s discretionary income. Consider all your potential competitors, not just the obvious ones.

LOCAL LABOR MARKET. The building you’re looking at may have rock bottom rates, but there may be a reason for that. Before you sign a lease or make a purchase, make sure the local labor market can support your needs.

EXPANSION POTENTIAL. If you think you’re going to grow as a business (and you should be thinking this way), can the property, facility or neighborhood handle the growth?

ZONING. Make sure the property or facility you’re looking at has the proper zoning for your type of business.

SAFETY. No matter how wonderful your business is, potential employees and customers will shy away from you if you’re in an area where they don’t feel safe and secure.

HIDDEN COSTS. Few properties are turn-key. Identify the hidden costs of renovation, signage, IT systems, upgrades, etc.

Play well with others?

One option open to entrepreneurs is to go the incubator, makerspace or shared space route. These are communal spaces where you share resources, whether it's basic office services such as high-speed internet access, administrative assistance, training and equipment.

Incubators may provide you with educational programming, a subsidized workspace, free or heavily discounted business and support services and access to others who have complementary skills or are eager to help your business grow. Entrepreneurs can also benefit from mentorship through advisory boards, investors or strategic partners. You can't just show up on the field and expect to play on an incubator team. You need to be accepted into the program through an application process. If you are accepted, you'll be on the active roster for a specific period of time (the average is about 33 months) at which point you should be ready to go out on your own.

Makerspaces are another option, open to teams that want to make stuff. A makerspace can vary in its focus. Some offer space to dabble in craft projects such as woodworking, ceramics or sewing while others provide access to machine shop tools, testing and manufacturing equipment and high end 3-D printers. The environment is highly collaborative and may even offer the mentorship and expertise you've been looking for to jumpstart those creative juices.

FIGURING OUT THE RIGHT FORMATION

Starting a business has numerous legal implications, including liability, tax structure, filing requirements and paperwork. Before you hang an “Open for Business” sign out front, you need to figure out what structure is best suited for your business. Each has its own advantages and disadvantages and you may want to consult with an attorney, business mentor or a CPA to determine which structure best meets your needs.

Following are the different structures with a brief description for each:

Sole Proprietorship

A sole proprietorship is owned by a single person or a married couple. This type of business is inexpensive to form and there are no special reporting requirements. There are fewer legal controls, but the owners may be liable for all debts incurred by the business as well as all federal taxes and judgments from lawsuits.

General Partnership

A general partnership is formed by two or more persons who agree to contribute money, labor and/or skill to the business. Partners share managerial duties as well as the profits or losses and each one is personally liable for any business debt. Formal terms of the partnership are usually contained in a written agreement and the business has to file a partnership return with the federal government, dividing the profit or loss of the company as a percentage according to how much each partner owns.

Limited Liability Company

Also known as an LLC, this form of business is very popular. The business has limited legal liability like a corporation, but doesn't have as many governance requirements. For federal tax purposes, the LLC is treated like a corporation. Creating an LLC requires that you file with the Washington Secretary of State and the organization must also file an Entity Classification Election (Form 8832) with the IRS. While not necessary, you may want to consider seeking legal assistance to form an LLC to ensure that everything is covered in an operating agreement.

Corporation

This is a more complex structure, but one that affords additional protections. There are two major types of corporations – C and S. You'll want to work with an attorney or CPA to discuss which is best. To form a corporation, you must file with the Secretary of State's office and create a governance document, i.e., bylaws. There are other filing and management issues, including how stock is handled and how directors are elected. Corporations must also keep minutes and records and file federal corporate tax returns with the IRS. The owner of a corporation is treated like an employee, which may offer additional tax and financial benefits.

Washington State is one of only 10 states that allow the formation of a social purpose corporation (SPC). This is a corporation that is organized to support a social purpose that involves:

- The corporation's employees, suppliers or customers
- A local, state, national or world community
- The environment

It allows the organization's directors to weigh and consider social purposes before making decisions, even if it results in a lower shareholder return. Directors are legally protected if they decide to choose environmental or social impact over economic gain.

Nonprofit Corporation

A nonprofit corporation is a legal entity that is usually tied to some larger ideal or goal rather than the interests of making a profit. If the nonprofit is formed to raise funds from the public, it may need to be registered as a charity with the Washington Secretary of State.

There's a great guide at http://www.sos.wa.gov/_assets/charities/Washington%20Nonprofit%20Handbook.pdf that covers everything you need to know about starting a nonprofit in Washington State.

Following is a quick cheat sheet to guide you through the various pluses and minuses of each structure:

CONSIDERATIONS	SOLE PROPRIETORSHIP	PARTNERSHIP	LLC	CORPORATION
FILE WITH SECRETARY OF STATE	No	No	Yes	Yes
FORMATION DIFFICULTY	Low	Low	Medium	Medium/High
LIABILITY	Unlimited Liability for debts and taxes.	Has unlimited liability for debt and taxes.	Members are not typically liable for debts other than taxes.	Shareholders are not typically liable for debts other than taxes.
OPERATIONAL	Relatively few	Relatively few	Some formal requirements such as operating agreements and annual reporting.	Board of directors, annual meetings, annual reporting required.
MANAGEMENT	Sole proprietor has full control of management and operations.	Typically each partner has an equal voice, unless otherwise arranged.	Members have an operating agreement that outlines management.	Managed by the directors who are elected by the shareholders.
FEDERAL TAXATION	Not a taxable entity. Sole proprietor pays all taxes.	Not a taxable entity. Each partner pays on his/her share of income and can deduct losses against sources of income.	Depending on structure there is no tax at the entity level.	Taxed at the entity level. Any dividends are taxed at the individual level.
WASHINGTON EXCISE TAXATION & LIABILITY	Taxes based on business entity income. Sole proprietor has unlimited liability.	Taxes based on business entity income. General partners have unlimited liability.	Taxes based on business entity income. Responsible parties may have liability for trust funds.	Taxes based on business entity income. Responsible parties may have liability for trust funds.

This information is simplified and for reference only. For more details, see a trusted advisor.

PLAYING OFFENSE

So much for the basics. If you're already a business pro and skipped Training Camp to arrive here, welcome! For those who did go through camp, some of this will seem a bit redundant, but it's still important to understand, especially since this is a deeper dive. Missing a key step can get you sidelined.

GETTING ON THE ROSTER

Before you get too far in setting up your business, remember to register properly with the state.

Corporations, SPCs, LLCs, Nonprofits and Limited Partnerships

A corporation, SPC, LLC, nonprofit or limited partnership needs to be registered with the Secretary of State at www.sos.gov. Corporations need to file their bylaws and LLCs need to file their operating agreement. You'll also need to supply information about your officers (if you're a corporation) or members/managers (if you're an LLC). S-corps also need to file with the IRS to receive the proper federal designation to be a corporation.

Just like in football, you need to have an agent, in this case, a registered agent. This is the person in Washington

who will receive your official business notifications. It can be you, your attorney or an outside party, but the person must reside in Washington State, regardless of your location.

Washington State requires all state businesses to have a Washington State Unified Business Identifier, or UBI for short. Think of it as your player number, at nine digits, one that is long enough to wrap around your entire jersey. If you file through the Secretary of State's office you will receive a UBI in two business days if you filed online and 14 days if you've applied by mail.

If you're a corporation you need to have a federal Employer Identification Number (EIN), which you can apply for at <https://sa.www4.irs.gov/modiein/individual/index.jsp>.

You need an EIN if you:

- Started a new business.
 - Formed a corporation or partnership.
 - Purchased an existing business.
 - Hired or will hire employees, including household employees.
 - Opened a bank account that requires an EIN for banking purposes.
 - Changed the legal character or ownership of your organization (for example, you incorporate a sole proprietorship or form a partnership).
- Whether you wish to exempt corporate officers from Unemployment Insurance.
 - The percent of ownership each principal or officer holds.
 - Whether you plan to sell, manufacture or distribute alcohol. If yes, you may need to wait up to 90 days for a liquor license.

Sole Proprietorships and One-Person LLCs

You can get your Universal Business Identifier (UBI) by filling out the Washington Business License Application at <http://bls.dor.wa.gov/file.aspx>. If you're a sole proprietorship or one-person LLC, you can use your Social Security Number as your business' federal identification number. You don't need an EIN.

To fill out a business license application, you will need . . .

- Your physical address.
- How much you expect to make in the first year.
- Whether you will be hiring employees, including any under age 18.

Buying an Existing Team

If you're buying a business already in operation, be sure you do your homework. You could be liable for back taxes, debts, workers' compensation and unemployment insurance... the list goes on. You always want to get good legal advice about any business you're thinking of purchasing. Also, be aware that you may need to pay a use tax to the Department of Revenue for equipment, furnishings, supplies, etc. that are part of the sale.

Registering Non-Washington Businesses

If you are registered as a corporation or limited liability company in another state or country and are doing business in Washington, you will need to fill out a “Foreign Profit Corporation – Certificate of Authority” or “Foreign LLC Registration” form with the Office of the Secretary of State.

Out-of-state businesses must register with the Washington State Department of Revenue if:

- The business conducts activities that establish nexus sufficient for imposing B&O tax or the public utility tax.
- The business collects retail sales, use tax, or other taxes administered by the Department of Revenue.
- The business collects Washington’s use tax.

As part of the registration process you will need to have a registered agent in Washington State. As noted earlier, this is a Washington-based person or business with a physical address who can receive official documents on your behalf.

ONLY IF THEY PERMIT IT . . .

Some businesses will need additional licenses and permits. These include architects, healthcare providers, counselors, attorneys, CPAs and food-related businesses, such as restaurants and food trucks. Other businesses need to be registered as contractors with the state, while still others will need to be licensed through the Department of Health (a residential care or mental health business) or Department of Early Learning (a child care business).

A good place to start is the Washington Business Licensing Guide. Its series of questions will generate the list of permits and licenses you may be required to get for your specific type of business. The guide is located at <http://bls.dor.wa.gov/blg>.

YOU CAN BANK ON IT

It would be great if you could just get in the game and start playing, but Uncle Sam and the state want to make sure you put your money in its proper place. To open a bank account you need to complete your Washington State Business Application and register your business with the IRS first.

The bank will verify that you are a valid Washington State business using the state's business database. You will also need your Tax Identification Number, which is either your Social Security Number or your Employer Identification Number provided through your IRS registration.

Other information may be required if the documentation is insufficient. This can include:

- Articles of Incorporation
- Bylaws
- Partnership Agreements, etc.

All signers on an account may also be required to provide:

- Proof of Citizenship
- Name
- Residential Street Address
- Taxpayer Identification Number
- Date of Birth
- Current government issued photo identification and a second piece of identification such as a social security card, credit card, insurance card, voter registration card, etc.
- Home Phone
- Occupation

REPORTING AND TAXES

Washington State doesn't have personal or business income taxes. Instead, the state relies on something called a Business and Occupation (B&O) tax, sales and use taxes, property taxes and industry-specific taxes.

Let's review the most common taxes businesses are responsible for in Washington State.

Federal Taxes

Federal income tax for businesses is based on your net profits (i.e., your revenue minus your expenses). If you're a sole proprietorship, partnership, most LLCs or an S-corporation, the tax on your business income is paid by the owners through their personal tax returns.

These taxes are typically made quarterly to the IRS using Form 1040-ES.

Payments are due:

- April 15
- June 15
- September 15
- January 15

If you are an S-corp, you are also an employee who receives standard paychecks. You may not need to make estimated tax payments if you have enough income tax withheld from your other paycheck(s).

S-corporations are generally required to make estimated quarterly payments on the 15th day on the 4th, 6th, 9th and 12th months of each fiscal year (which

is not to be confused with the calendar year). If you want your corporation to be treated as an S-corporation, complete Form 2553 – Election by a Small Business Corporation – within 75 days of forming your business or within 75 days of the beginning of a tax year.

Limited Liability Companies (LLCs) are taxed like sole proprietorships if there is only a single team owner. If there is more than one owner, LLCs are taxed like partnerships. However, LLCs can elect to be treated as S-corporations for federal tax purposes by filling out IRS Form 8832. You may want to contact your tax professional for more information.

If you're the only player on your team, you need to pay self-employment taxes, which includes Social Security and Medicare taxes. These are paid by owners of a sole proprietorship, independent contractors or members of a partnership that is engaged in a livelihood (a trade) or in good faith to make a profit (a business). Making a profit is important but secondary to the *desire to make a profit*, as it's impossible to guarantee that any business enterprise will make money. You can have a full-time job and still be required to pay self-employment taxes on the money you make from your business or trade.

State Taxes

BUSINESS & OCCUPATION TAX (B&O). With all the brouhaha about the B&O, you'd think it was more controversial than the Immaculate Reception in the 1972 AFC division playoff game.

Actually, it's pretty straightforward. Washington doesn't tax corporate income like most states. Instead, the state taxes gross receipts. The more a company makes, the less it pays in taxes, well, at least compared to states with more aggressive strategies like a tax on corporate income.

Most of the tax classifications are below one percent, and there is a threshold where small companies and startups don't have to pay these taxes, but merely fill out their quarterly reports to the Department of Revenue. Many companies can also take advantage of tax credits and exemptions that lower the overall B&O tax bill.

To see how this affects a company and how the B&O can actually be beneficial to a company, check out the chart on the next page that compares Washington to some other states.

SALES TAX. Businesses collect sales taxes from customers for most retail products, construction activities and some services. The sales tax is destination-based, meaning businesses charge the tax rate for the location where the product or service is delivered.

USE TAX. This tax is applied to businesses when purchases are made without paying sales tax, such as purchases made on a website or in Oregon.

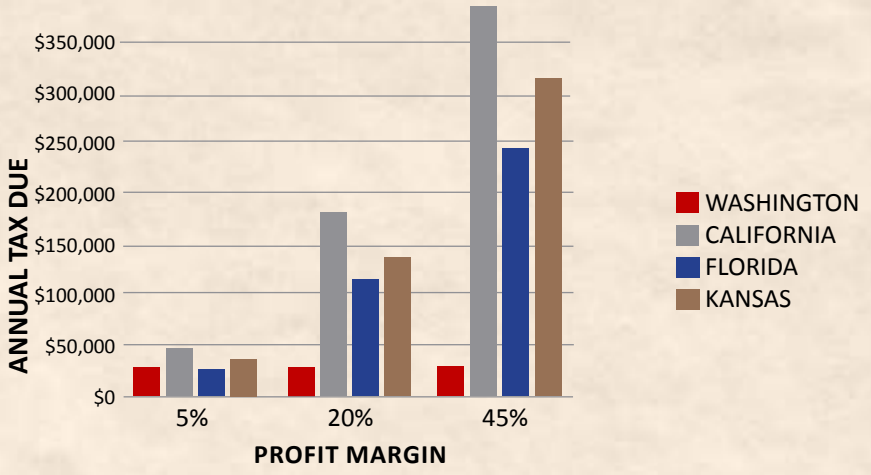
REAL AND PERSONAL PROPERTY TAXES.

This tax is levied on the value of real estate, buildings and other structures, furnishings, equipment and other assets. These are collected by individual counties rather than the Department of Revenue.

INDUSTRY-SPECIFIC TAXES. The state collects other taxes, such as taxes on hotel and motel stays, rental cars, cigarettes, etc.

Most businesses need to file an excise tax return with the Department of Revenue. Your filing frequency is assigned after you submit your Business License Application, which is based on an estimate of the amount of tax you will owe. If you are assigned a monthly or quarterly filing frequency, you can file your taxes electronically using the Department of Revenue's online filing system. The online system can be accessed at: <http://dor.wa.gov/content/FileandPayTaxes>.

	Washington B&O Tax	California Income Tax	Florida Income Tax	Kansas Income Tax
Profit Margin = 10%				
Gross Sales	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Profit Margin	n/a	5%	5%	5%
Net Income	n/a	\$500,000	\$500,000	\$500,000
Tax Rates	0.2904%	8.84%	5.5%	7%
Tax Due	\$29,040	\$44,200	27,500	\$35,000
Profit Margin = 20%				
Gross Sales	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Profit Margin	n/a	20%	20%	20%
Net Income	n/a	\$2,000,000	\$2,000,000	\$2,000,000
Tax Rates	0.2904%	8.84%	5.5%	7%
Tax Due	\$29,040	\$176,800	\$110,000	\$140,000
Profit Margin = 45%				
Gross Sales	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Profit Margin	n/a	45%	45%	45%
Net Income	n/a	\$4,500,000	\$4,500,000	\$4,500,000
Tax Rates	0.2904%	8.84%	5.5%	7%
Tax Due	\$29,040	\$397,800	\$247,500	\$315,000



Still with us? We don't blame you for wanting to head for the locker room at this point, but there are a few more taxes to cover. Depending on your team's size and type, these may or may not apply to you:

Employer Taxes

Unemployment taxes are due quarterly. Reporting and payment is generally done online through the Department of Employment Security. (www.esd.wa.gov.uitax) Taxes are calculated based on the rate provided to your business by Employment Security multiplied by each employee's wages up to an annual maximum.

Due dates for the preceding calendar quarters are:

- April 30
- July 31
- October 31
- January 31

Workers' compensation premiums are due quarterly to the Department of Labor & Industries (L&I). These can be reported online and the due dates are the same as Unemployment Taxes. Premiums are calculated based on the classification rates provided to your business by L&I, multiplied by the hours worked by employees in that risk classification. (www.lni.wa.gov) Employers can deduct from the employees' pay a portion of the premium amount.

License and Permit Renewals

- Corporations, limited liability companies and limited partnerships must file an annual report with the Office of the Secretary of State's (www.sos.wa.gov).
- Your business license does not need to be renewed. However, you may need to renew specialty licenses, local licenses and professional licenses annually to keep your team in the game. Be sure to keep track of your renewal dates to ensure your licenses are current to avoid additional fees and penalties. For example, if you are a contractor, you need to register with the Department of Labor & Industries. You can learn more at www.lni.wa.gov or call the office at (800) 647-0982.
- If you're handling or selling food, you need to contact your local health department for requirements.

If you are new to the Washington business tax system, you may want to speak with your tax professional or CPA to discuss which taxes apply to your business to ensure that you file your returns correctly.

Local Business Taxes

Cities and Towns. Most cities have local sales taxes as well as local B&O taxes. The Department of Revenue collects sales taxes for local communities, but cities have the option of collecting their own local B&O taxes. Depending on the amount of money your business makes, your local B&O tax may be due quarterly or annually and is paid to the respective municipality, not the state's Department of Revenue.

Counties. Counties are responsible for assessing and levying property tax on real and personal property. For the purposes of this discussion, personal property includes business furnishings, fixtures, equipment, supplies and other assets. Property taxes are due April 30 and October 31 of each year.

Incentives

Washington State and many county and local governments offer special tax incentives for specific growth industries. These can offset some of the taxes you may otherwise pay. Be sure to check with the Department of Revenue's list of incentives to see if your business qualifies for specific reductions on B&O taxes, deductions, credits and other offsets.

Visit <http://dor.wa.gov/content/findtaxesandrates/taxincentives> for more information.

COACH'S CORNER



Listen up!
Here are answers
to some frequently
asked questions.

What is a Business License Application and when do I need to apply for one?

This application is a one-stop shop for applying for many state licenses and the information is shared with other state, county and local agencies and municipalities. You can use this application for:

- Applying for a Washington State Unified Business Identifier (UBI) number or tax registration number.
- Opening or reopening a business.
- Changing the ownership of a business.
- Opening a new business location.
- Changing business locations.
- Registering or changing a trade name.
- Hiring employees.
- Getting a Minor Work Permit.

- Adding licenses to an existing business location.
- Getting optional insurance coverage for the owner of the business.
- Hiring people to work in or around your home.

What is a Unified Business Identifier (UBI) number?

This is a nine digit number that registers you with several state agencies and allows you to do business in Washington State. It is also known as a tax registration number or business registration number. It is assigned to your company when you fill out the Business License Application.

Who needs a business license?

You need a license if one or more of the following apply to you:

- Your business grosses \$12,000 or more annually.
- You're doing business using a name other than your full legal name.
- You plan to hire employees within the next 90 days.
- You sell a product or service that is taxable. For more information about which products or services are taxable, call the Department of Revenue at (800) 647-7706.
- Your business requires specialty licenses, which are available through the Business Licensing Application.

How can I submit a Business License Application?

You can apply online at <https://fortress.wa.gov/dor/bls/ibla/LogIn.aspx>

Or go old-school and fill out a paper version. It can be accessed at: <http://bls.dor.wa.gov/forms/700028.pdf>

How much does it cost and how long does it take to file?

The current cost is \$19 plus the additional cost of any licenses, registrations or permits you may need. The entire application process takes between 15 to 30 minutes to complete.

Do I have to get a Federal Employer Identification Number (EIN)?

If you are a sole proprietorship you can use your Social Security Number for federal tax filings. If your legal structure is something other than a sole proprietorship, then you probably need to file using an EIN. The IRS can tell you whether or not it's required.

What do I need to do if I change the name of my business?

If you're a profit or nonprofit corporation, limited liability company or limited liability partnership, you need to contact the Secretary of State's office at (360) 725-0377. If you are updating your firm's name and it's the same as your legal entity name, you can do that through the Business Licensing Service. Their email is bls@dor.wa.gov.

I want to resell products.

What do I need to do?

You need to get a Reseller Permit from the Department of Revenue. You can apply online at www.dor.wa.gov/resellerpermit. It takes 10 business days to process the permit.

THE PREVENT DEFENSE

O.K. You've filled out all the paperwork, paid the necessary fees, got the business I.D. numbers you need and even have some business cards. Starting your business was the easy part. Staying in business, however, takes a lot more work.

It's easy to get lost in the day-to-day of running a business, so much so that you lose sight of some of the things that can put you on the bench for the remainder of the game.

To keep you playing like a pro, we've put together some helpful tips that will give you the foundation you need to make smart decisions, expand your team predictably and avoid those dreaded penalties, including the ones that can get you thrown out of the game.

FINDING THE RIGHT COACHES

Every pro needs a little help now and then. Because a business can have legal ramifications for you, your family and your business partners, you may want to bring a mentor or other business experts into the loop to avoid the inevitable pitfalls.

Here are just a few of the things you can use a mentor, attorney or CPA for:

LIABILITY. As noted, each business structure offers you advantages and disadvantages. A mentor, attorney or CPA can go over the different options with you and help you choose a business structure that meets your unique needs.

TAXES. Every business structure has different levels of taxation. The goal, of course, is to reduce your tax exposure while paying your legal obligations to local, county, state and federal governments. A tax expert can help you determine which structure affords you the best results in terms of reducing tax exposure.

AUTONOMY. If you're a sole proprietor you call your own shots for the team. If you're a corporation, you are an employee, not an owner. Both have their advantages and disadvantages. A knowledgeable advisor can help you match the structure to the level of autonomy you wish to have, and also make sure that the required filings are made in terms of bylaws, charters and other documents.

MONEY MANAGEMENT. As a business you need to keep detailed records about your income, disbursements and other fiscal matters. Since every business structure has a different set of reporting and recordkeeping requirements, you want to make sure you cover all your bases from the very start. A CPA can assist you in setting up your recordkeeping and accounting systems so that you meet regulatory requirements. There are also some excellent do-it-yourself tools out there, such as GoDaddy's online bookkeeping system (www.outright.com), which allows you to manage most aspects of your accounting, including balance sheets and P&L statements.

REGISTRATIONS, LICENSING, PERMITTING.

Every city or county has different filing requirements. An attorney or CPA can help you identify what your business needs to be compliant and make sure you have the proper licenses, registrations and permitting.

BUSINESS NAME. If you plan to use a business name that is something other than your own legal name you may want to see an attorney. A lawyer can help you register your name with the state and at the federal level so that you have the necessary protections. Keep in mind that a federal trademark or trade name can trump a state registered trademark or trade name. The cost of registering a name federally may be well worth the time and cost.

CONTRACTS. If your business offers services or is hiring freelance or temporary contract labor, you may want to see an attorney about this. They can help you protect your rights and ensure that the contract covers all the angles, including how the terms can be modified, how a relationship can be terminated and how litigation would be conducted and where.

ROOKIE MISTAKES

It can be very exciting to start a business. Most business people can still recall the day they handed out their first business card, made their first sale, or put their first dollar in the till. Others can remember how things went from good to bad to worse. Unfortunately, eight out of 10 new businesses don't survive, largely because the owner committed one or more rookie mistakes running their business.

With proper planning, you can avoid some of the rookie mistakes even great players make if you:

START SMALL. If you're doing a service business or just starting out selling products, you may not need a traditional office or retail space. Think about ways that you can start small so you can keep overhead costs low while leaving room to grow. That said, be sure to cover growth strategies in your business plan. Identify targets or milestones that will let you know when expansion may be in order. It's far easier to make more money in a small place than stretch scarce dollars in a cavernous space where receivables are lagging behind orders.

PROTECT YOURSELF. Depending on your business model, you may want to think about going with an LLC or a corporation. These structures afford you a little more protection should things go south and you need to settle some debts. Keeping your business and personal accounts separate can also keep creditors from trying to take your house or seize your bank accounts. Keep in mind that having a business in your home may affect your liability. Most homeowner's policies don't cover workplace injuries or any other liabilities incurred by your business. Talk to an attorney so you can be sure that you're covered in the event of an accident or a disaster.

BE OBJECTIVE ABOUT YOUR BUSINESS. It's easy to get caught up in "busyness," not business, when you start out. Spending your days looking like a business doesn't generate sales or income. If you spend your days setting up your workspace, organizing your files, torturing over business card designs or surfing the Internet, you're doing busyness, not business. Ideally, everything you do in your day should relate to getting sales, filling orders, completing projects and collecting money for those sales. Know what your hard business costs and your soft costs are so you can be sure that your cash flow stays positive.

PAY YOUR BILLS AND TAXES ON TIME.

When cash flow falls behind, it's easy to put off paying your bills. Don't do it! You will lose the trust of your vendors who may have given you liberal payment terms and your credit rating may take a hit, especially if you're a sole proprietorship. When it comes to taxes, nothing is worse than receiving a letter from the IRS or the state informing you that you are in arrears. The penalties and interest will only put you farther behind. If you can't pay on time, don't wait for a letter. Be proactive and call those you owe money to and see if you can work out a payment schedule.

PAY YOURSELF LAST AND LEAST. It's great that you want to make money in your business, but the owner is typically last in line to get paid. Be conservative with your salary, especially at the beginning. A new business requires a lot of capital and you want to be conservative with every expense, including your own paycheck.

FIND A VETERAN. For the novice, running a business can be akin to wandering down the field without knowing where the goal line is. A business veteran, a mentor, who has been-there, done-that, can be a godsend, helping you avoid the pitfalls that every new business encounters and helping you keep your eye on the goal.

BRING IN EXPERTS. While you'll wear many helmets out of necessity, especially in the beginning, realize that you can't do it all. A great team relies on position players who are specialists. These specialists include accountants, marketing pros, web designers, attorneys – the list goes on. Use them. You can have the best product or service in the world but if your stationery was designed by the guy who does the church newsletter as a favor, you may never make the cut.

HIRE COMPLETE STRANGERS. It might be tempting to hire family members or friends, but this can spell doom, not only for your business but your relationships. It's tough to be the task master when it's a son, wife or best friend who isn't doing the job he or she was hired to do. It's worse if you have to lay them off or fire them. While it's ultimately you're call, you may want to hire a highly qualified stranger to fill any needed roles.

ALL PRO OR BENCHWARMER?

Just because you're in business doesn't mean you're really a business. As noted, "busyness" can look very businesslike, but it is the shortcut to ruin. The Internal Revenue Service has its own set of rules to determine if you're really a business or a hobby.

As a business owner you can deduct ordinary and necessary expenses for conducting your business. An ordinary expense is defined as "one that is common and accepted in your trade or business." A necessary expense is one that is helpful and appropriate for your business.

To meet the IRS requirements of a business, your company has to have a reasonable expectation of making a profit.

In order to do this, you need to consider the following factors:

1. Does the time and effort put into the activity indicate an intention to make a profit?
2. Does the taxpayer depend on income from the activity?
3. If there are losses, are they due to circumstances beyond the taxpayer's control or did they occur in the startup phase?

4. Has the taxpayer changed their methods of operation to try to improve profitability?
5. Does the taxpayer or his advisors have the knowledge needed to carry on the activity of a successful business?
6. Has the taxpayer made a profit in similar activities in the past?
7. Does the activity make a profit in some years?
8. Can the taxpayer expect to make a profit in the future from the appreciation of assets used in the activity?

The general rule of thumb is that you need to make a profit at least three of every five tax years, including the current year. If an activity is not for profit, losses may not be used to offset other income. The limit on not-for-profit losses applies to individuals, partnerships, and S corporations. It does not apply to other classes of corporations.

It's highly recommended that you meet with an accountant or CPA to discuss your business and its income-generating requirements so that your business continues to be classified as a business and not a hobby.

SHOW ME THE MONEY!

If you remember the movie Jerry Maguire then you know where this headline comes from. Money makes the world go round, especially in business. One of the hard things to grapple with is that gross billings don't mean diddly-squat if the receivables aren't keeping up with the bills due.

Having a financial plan is an essential part of the playbook. Determining how much money you need to keep your business in good running order and knowing where the tipping point is – where you can begin to support yourself and then others – is the way you stay in the game.

Sure, you did some of this analysis in your business plan. But financial planning isn't a one-time thing. It needs to be done continually if you plan to end up in the business hall of fame someday.

Here are just a few of the things that can affect your financial health. Make sure you incorporate these into any financial planning you do for your business.

STARTUP COSTS. Think long and hard about how much money you will need to get your business to the point where you can open your doors and start making sales. Costs can include facilities, equipment, furnishing, payroll, withholdings, signage, supplies, licenses, permits, taxes, fees, etc.

CASH FLOW. Think in terms of monthly cash flow. You want to go at least 24 months into the future and provide as much detail as you can, showing the amount of cash coming into the business as well as going out of it. This, along with your startup costs, will give you the total amount of money you will need to reach the point where you can probably achieve sustainability.

P&L. This is your projected profit & loss statement, which should cover the first two years. These income statements are expressed as follows:

Revenue - Expenses = Profit or (Loss).

BALANCE SHEETS. These should cover Year 1 and Year 2. A balance sheet shows you the big picture of your business' health and is expressed like this:

Assets - Liabilities = Net Worth or (Equity)

Revenue - Expenses = Profit or (Loss)

Assets - Liabilities = Net Worth or (Equity)

Now, to answer the big question: Where do you get the money to either open a business or expand it? Here are some options:

PICK YOUR OWN POCKET. Before you ever open a business, be sure you save up as much money as possible. Sure, you can try to get a business loan, borrow from family or friends (not recommended), or bankroll your entire business on a credit card or two (again, not recommended), but these strategies put you in the hole from the get-go. Being deep in debt right from the start will put you in a defensive posture and you won't be able to make the critical decisions you need to break out into the open because you're always worried about how much money you owe, not how much money you should be making. Also, there are a lot of upfront costs such as computers, office furniture, marketing materials and advertising. Be conservative; think about every expense carefully before you approve it.

WE GRANT THAT IT'S NOT WORTH IT! Don't waste your time going after grants. Grants to incubate new businesses are few and far between and some may even be scams. Instead, spend your time and energy exploring financing options that may actually result in money arriving in your pocket, hopefully with as few strings attached as possible.

IT'S GETTING CROWDED IN HERE. One of the new ways to secure funding, particularly for a product or service, is to crowd-fund your business. Sites like kickstarter.com and fundable.com allow you to seek funding from others who want to invest in new ideas or enterprises. Some huge success stories have been funded this way, but it's up to you to do all the marketing and promotion in order to hit your goal within the desired timeframe. If you don't, most sites refund the money to the investors and you walk away with nothing.

A LOAN AGAIN, NATURALLY. If you're considering applying for a business loan remember the 5 C's of loans:

- **CAPITAL/CASH.** This is your investment. Owners usually pony up 25 to 30% of the funds needed to start a new business.
- **CAPACITY/CASH FLOW.** The object is to show that you have the experience, passion and desire to make the business successful. This may include your own business training and management experience, your business plan and cash flow projections; information that shows you have the ability to meet your obligations, including paying back the loan.

- **COLLATERAL.** This can include business property, furnishings, fixtures, equipment and inventory as well as the owner's own assets, such as stocks, real estate, etc.).
- **CHARACTER.** You'll want to show that you take this whole thing very seriously and that you are a responsible person, which may be evidenced through your personal credit history.
- **CONDITIONS.** Factors such as the overall health of the economy and your particular sector, industry trends, market forces, etc. and how these will affect your chances of success.

LET SOMEONE ELSE REACH INTO THEIR POCKET

Before you seek investors or private lenders, find out what the securities laws are. The investing arena is tightly regulated and you don't want to get into hot water with regulators. Venture capitalists rarely provide startup funding. It's just too risky. Angel investors, on the other hand, love to provide seed money to startups and are willing to take a risk on a new firm or idea. That's not to say that venture capitalists won't get

involved; they tend to take an interest in a business a little farther down the road. Angels use their own money to fund ventures and get involved because they are interested in the business, product or service. In an angel, you may not only find a financial resource, but a mentor. If you're a seasoned pro, a venture capitalist may be what you need. These investors are willing to invest more money than a typical angel, but only when the company has proven itself. In contrast to an angel investor, venture capitalists aren't usually interested in the day-to-day operations of your enterprise, but may want or require a seat on the board instead. Both offer an entrepreneur excellent opportunities to secure additional financing, but both rightfully expect a solid return on their investment.

RETHINK. If you don't succeed in getting the amount of money you need, think about ways to scale back your dream, reduce expenses, hire fewer employees in the beginning, find a less expensive location for your business, etc. Reducing expenses can dramatically change your revenue projections.

AVOIDING PENALTIES

Whether you've been in business for a while or you're just getting started, you want to be sure that you don't get penalized unnecessarily. Keeping current on your filings and taxes and making sure you're in regulatory compliance can keep your business healthy, wealthy and wise. Nothing's worse than getting audited or hit with substantial penalties and interest because you decided it was more important to pay a near-term expense than pay your taxes. As noted earlier, the penalties and interest can kill you.

Plenty of federal, state and local agencies are ready to assist you in making sure that you are in compliance. Be proactive in contacting any agency that may appear to have some say over some aspect of your business. As they say, it's better to be safe than sorry.

Here's a list of some of the agencies that may have regulations or requirements that we haven't covered elsewhere in this playbook. Remember, they are on your team, unless you choose to ignore their role in your operations.

Federal

CONSUMER PRODUCT SAFETY COMMISSION.

These are the folks who regulate product standards. More information: www.cpsc.gov.

DEPARTMENT OF LABOR. Oversees worker issues such as the federal minimum wage, overtime requirements, equal employment opportunity, etc. Note that Washington State's minimum wage exceeds the federal standard as do several municipalities and the state's own Department of Labor & Industries will have regulations in addition to the federal ones. More information: www.dol.gov.



State

DEPARTMENT OF AGRICULTURE. Regulates food safety, product labeling, use of pesticides, crops, livestock, etc. More information: <http://agr.wa.gov>

OFFICE OF THE ATTORNEY GENERAL. Oversees consumer protection and other aspects related to business. More information: www.atg.wa.gov

DEPARTMENT OF ECOLOGY. Regulates waste, pollutants, water rights and air quality. More information: www.ecy.wa.gov

DEPARTMENT OF FINANCIAL INSTITUTIONS. Regulates franchise requirements, business investments, business loans, etc. More information: www.dfi.wa.gov

HUMAN RIGHTS COMMISSION. Regulates public accommodations, non-discrimination, etc. More information: www.hum.wa.gov

LIQUOR AND CANNABIS BOARD. Regulates liquor and marijuana licensing, educates and enforces laws and regulations on the production, sale and serving of these substances. More information: www.liq.wa.gov

DEPARTMENT OF NATURAL RESOURCES. Regulates forest practices, mining, etc. More information: www.dnr.wa.gov

GOVERNOR'S OFFICE FOR REGULATORY INNOVATION AND ASSISTANCE. Helps businesses and citizens navigate the permitting, licensing and regulatory environment. More information: www.oria.wa.gov

UTILITIES AND TRANSPORTATION

COMMISSION. Regulates taxi and limousine services, moving and trucking services, etc. More information: www.utc.wa.gov

WASHINGTON STATE GAMBLING

COMMISSION. Regulates gambling, including casinos, horseracing, bingo, Internet gambling, raffles and fundraising events. More information: www.wsgc.wa.gov

WASHINGTON STATE LOTTERY. Regulates the sale of lottery products, licensing of lottery retailers. More information and winning numbers at: www.walottery.com

Local

COUNTY HEALTH DEPARTMENTS. Regulate food establishments, food trucks, environmental health and hazardous materials.

COUNTY ASSESSORS. Provide valuations of business real estate, equipment, furnishings and other assets for property tax purposes.

CITIES. Regulate zoning, signage and parking, and issues building and business permits.

FIRE DEPARTMENTS. Oversee compliance with fire regulations.

CITY OF SEATTLE. Has a paid sick leave requirement and new minimum wage laws that exceed the state minimums.

DON'T GET SIDELINED — INSURE YOURSELF

It can be heartbreaking if your business literally goes up in smoke. Business insurance protects your investment against unexpected events, such as an injury in the workplace, a lawsuit or mistake, the loss of a partner or a natural disaster.

Many businesses think it's an option, a "nice to have," preferring to put it off until the balance sheet is stronger or times are better. But like car insurance, business insurance covers you against the unthinkable, and it not only ensures that your business will continue to remain open, but gives you peace of mind as an owner.

The need to carry insurance varies by the type of business you're in. Washington State requires employers to carry workers' compensation insurance and unemployment insurance. You may also have to carry a business policy on your vehicles or on the building you are using as part of the lease.

Here are some other types of insurance you may wish to consider:

GENERAL LIABILITY INSURANCE. This covers you for accidents, injuries, negligence, property damage, medical expenses, libel, slander, lawsuit costs and settlements or judgments.

PRODUCT LIABILITY INSURANCE. If you manufacture, wholesale, distribute or sell a product, you could be liable for its safety. This insurance covers you against financial loss if a defective product causes injury or bodily harm.

PROFESSIONAL LIABILITY INSURANCE. Sometimes referred to as an errors and omission policy, this insurance protects you against malpractice, errors, negligence in the provision of services, printing mistakes, etc. Professional liability insurance can also be purchased for certain professions. For instance, healthcare providers are required to purchase malpractice insurance, which is a form of professional liability insurance.



COMMERCIAL PROPERTY INSURANCE.

This covers everything related to the loss and/or damage of your business property due to fire, smoke, wind, hailstorms, civil disobedience and vandalism. It can include compensation for lost income, business interruption, buildings, computers, company papers and money. There are two types of policies: *All-risk policies*, which cover a wide range of incidents, except those specifically excluded in the policy, and *peril-specific policies*, which protect against a specific event, such as fire, a flood or criminal activity.

HOME-BASED BUSINESS INSURANCE.

Homeowner's policies do not generally cover losses from a home-based business. If you are running a business out of your home, you may want to consider a separate policy that is specific for your home-based business, which can cover many of the events outlined in the types of insurance covered above.

To find out which policies best fit your business, you'll want to contact a business insurance agent to weigh the cost and benefits of having different levels and types of coverage for your business.

EXPECT THE UNEXPECTED

There are times when everything is going perfectly. The team is working together like a well-oiled machine, you're scoring orders left and right, you're moving the business up and down the field at will, your competitors aren't able to block any of your moves, and then you get hit from behind.

Having a crisis plan in place is essential to the health of your business. With a crisis plan in place, you don't need to know how to fight a raging, out of control inferno because you already have the fire extinguishers in place before a fire starts.

A crisis can be anything from a flood, earthquake and fire to computer hacking, loss of a key partner, a protest or a strike. Some have very little chance of happening; others can shake your business to the core.

The goal of a crisis plan is to identify every possible eventuality in terms of the probability it will occur and the impact it will have on your business. Once you've identified the different events that can affect your business, you determine how much control you have over preventing each from happening in the first place or reducing the impact if it were to happen. This is known as the degree of influence you have over any particular event.

LET'S PUT THIS INTO ACTION ON A POSSIBLE CRISIS.

<u>EVENT</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>Average</u>
1. Robbery	7	9	8	2	3	5.8

For instance, you may run a business where the probability of a robbery is high. You can reduce the impact of the event by reducing its probability (installing security cameras, anti-theft devices, more lighting in the parking lot, etc.) or reduce the impact it will have on your business (not keeping valuables in sight, reducing the amount of cash on the premises, etc.).

Once you identify a crisis you want to ask five key questions for each and rate them on a scale from 1 (least impact) to 10 (biggest impact). Then divide the sum of all five answers by five to get an average.

Questions to ask:

1. If the crisis runs the risk of escalating in intensity, how intense might it get and how quickly?
2. To what extent will your crisis fall under someone else's watchful eye, such as the news media or a government regulatory agency?
3. To what extent will the crisis interfere with the normal operations of your business?
4. Is your internal/external public image at risk?
5. To what extent would your company's bottom line be damaged?

A robbery will intensify quickly, hence a 7. The police or another law enforcement agency will get involved, so #2 is a 9. It will shut your business down for at least the rest of the day, perhaps longer if there is damage, an injury or a fatality, so an 8. Will your image be hurt? Probably not, as you're a victim, so #4 is a 2. Any financial impact would be negligible, especially if you're insured or the money or items are recovered, so #5 is a 3. This gives you a 5.8 impact on your business.

Now, assess the probability that the event will happen on a scale from 0 to 100%. This will give you an answer such as 5.8/60, i.e., it would have a slightly higher than medium impact and there is a fair probability it will happen. You want to identify all the potential crises that have both a high impact and a high probability and find ways to either reduce their impact or the chance that they will occur in the first place. Using the example, in the case of a robbery you could add security cameras and other anti-theft devices to your place of business to reduce the probability, which would be relatively easy to do.

You want to do this for every possible crisis that can affect your business, even those that seem very unlikely (you can probably dispense with running scenarios involving a zombie apocalypse or alien invasion). In assessing the impact, consider the cost in hard dollars and soft dollars. Hard dollars are pretty obvious, but losses in soft dollars can include decreased productivity, low employee morale, increased absenteeism, increased workers' compensation claims, bad press, erosion of community support, etc.

Depending on the crisis at hand, the cost of intervention may appear to equal the hard cost of a possible loss. But the soft dollar losses can create a trickling effect

on your business where you continue to lose revenue long after the initial crisis has passed, often without noticing until it's too late.

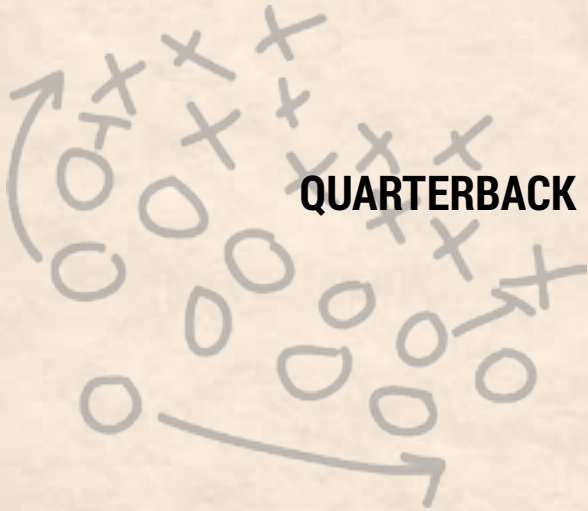
A well-conceived crisis plan has another benefit. It helps you make decisions in the midst of a crisis. You don't have to consider options; they are already written down. All you and your team have to do is follow the plan. You already know that if 'A' happens, you should do 'B' then 'C', 'D', 'E', and so on.

This is a pretty basic tutorial on crisis planning and management, but it should show you that 1) crisis planning is an important part of your overall business plan and 2), not having a plan can cripple or even kill your business, especially a small business.

Want to know more about crisis planning and business continuity? Visit Startup.ChooseWashingtonState.com. Our free "When Trouble Strikes: A Crisis Planner for Business" can be found in the Resources area under Publications. It covers the topic extensively and gives you additional tools to do your own crisis planning and mitigation.

Plan for possible game changing events and have your team ready with an alternative play.





QUARTERBACK CALLS

If you've made it this far then you're either already at the helm of a successful team or you're confident that you will eventually grow your business to the point where you need to make some smart quarterback calls.

Expanding a business can be tricky. Some of it is knowing when the timing is right, but often growth is unexpected, driven by sales and the need to satisfy rapidly changing customer needs.

This can lead to some tough calls. To help you make the right call, we've included some of the main topics that come up with business growth, planned or unplanned.

MO' MONEY, MO' MONEY!

This is the sequel to our earlier discussion where you considered sources for financing your business at in the startup phase. Many of these strategies still apply, but you want to be careful not to trade money to grow for unmanageable debt. Of course, there's no such thing as money without strings, so be aware of this before diving in.

Following are some sources for funds to fuel growth.

- U.S. Small Business Administration
www.sba.gov/category/navigation-structure/loans-grants
- SCORE
www.score.org/resources/tab-a
- Small Business Development Center
www.wsbdc.org/funding-your-business
- Washington Department of Commerce
www.choosewashingtonstate.com/i-need-help-with/financing/
- Small Business Credit Initiative
www.choosewashingtonstate.com/i-need-help-with/financing/sbci/
- Office of Minority and Women's Business Enterprises
<http://omwbe.wa.gov/linked-deposit-program/>
- SBA Veterans Office
www.sba.gov/content/veteran-service-disabled-veteran-owned
- Washington Department of Financial Institutions
<http://dfi.wa.gov/sd/smallbusiness.htm>

- Washington Economic Development Finance Authority
www.wedfa.org/financing-information.html
- Bond financing assistance for construction projects
www.sba.gov/content/surety-bonds-basics

You may also want to consider loans. SBA loans are actually made through commercial banks and credit unions, not the Small Business Administration and are guaranteed by the U.S. government. The Department of Agriculture also makes loans that are guaranteed in this fashion.

The five C's of lending that you had to consider when you opened your business are the same for a business loan to expand or grow. If your business is established, you'll typically have to show equity in the business equals at least 25% of the loan amount you're seeking, or that you can bring in additional cash so equity plus cash will total at least 25%.

Some loan possibilities include standard commercial loans from banks or credit unions, SBA 7a loans, which can be used for any business purpose, SBA microloans which are up to \$50,000, and SBA 504 loans, which can be used for real estate and major equipment purchases.

The Washington State Department of Commerce has partnered with state lenders to offer additional loan programs for small businesses.

Craft 3 Fund

Craft3 is ideal for viable existing businesses that are considered unbankable, particularly in underserved communities. Craft3 can fund companies at levels of \$250,000 plus. The program is administered through a nonprofit Community Development Financial Institution (CDFI), partnering with smaller lending firms in the community as needed.

W Fund

The W Fund is a venture fund that is intended for companies in their early stages, emerging from state universities and research centers in the following sectors: life sciences, biotech, medical devices, alternative energy and information technology fields. The goal of the W Fund is to spur innovation, business formation and job creation, taking advantage of the state's significant research and development base. Fund recipients must be located in Washington and create economic opportunity in the state's key growth sectors.

Collateral Support Program

The Collateral Support Program (CSP) can help small businesses secure SBA 504 financing with their lenders when collateral support is a concern. CSP will place cash deposits with the lending institution as additional collateral support to help lenders approve the necessary bridge loan required to achieve SBA 504 approval. SBA 504 loans can provide financing for real estate as well as heavy equipment.

For more information, visit the SBCI website at: <http://choosewashingtonstate.com/i-need-help-with/financing/sbci/>

Fund Local

The Washington State Department of Commerce has partnered with Community Sourced Capital to offer businesses another funding option. As you may have already found out, it can be difficult to find funding, especially if you're looking for something in the neighborhood of \$5,000 to \$50,000.

Fund Local is ready to come off the bench with an innovative program where members of your community can invest in your business by becoming squareholders. It's best for businesses that have been around for a while and have a specific growth strategy in mind,

Don't hesitate to find out if your business expansion could qualify for capital financing.



such as new equipment, a remodel or expanded production capacity. It's easy to set up and once you reach your funding goal you get three years to repay the no-interest loan. Find out more about Fund Local at <http://startup.choosewashingtonstate.com/programs/fund-local>

Of course, you can always go the investment capital route. This would mean getting investors for your business who want to put in money in exchange for a piece of the action, a seat on the board or favorable terms on their investment. This is a highly regulated way to fund your growth, but it is a fairly common one. Remember, however, that you may have to surrender some control over your company in exchange for investment funds. We already covered the basics of this earlier, explaining the difference between angel investors and venture capitalists, the latter being more likely to invest in a mature company.

ADDING PLAYERS TO YOUR TEAM

It's a great feeling to go it alone when you start out, but hopefully you'll quickly come to the point where you need some additional players on your team.

Having the right employees is critical to your success and there are lots of resources out there to help you in your planning, including Workforce Explorer (<https://fortress.wa.gov/esd/employmentdata>).

If you noted on your Business License Application that you would be hiring employees, this information was forwarded automatically to the Employment Security Department so a state unemployment tax account could be set up for your business. The Department of Labor & Industries was also notified during the application process so a workers' compensation account can be set up.

If you didn't say you were hiring employees but are planning to do so now, you need to remember to refile your Business License Application so that the Department of Employment Security and Department of Labor & Industries can set up your employer/employee accounts.

Reports need to be filed quarterly with the state as well as the IRS if you have employees.

Every new employee is required to complete the federal I-9 Employment

Eligibility Verification Form within three days of hire as well as an IRS W-4 Form. Every new hire or rehire needs to be reported to the Department of Social and Health Services New Hire Reporting Program within 20 days of the hiring date.

If you have employees working for you on-site, you need to create a safety plan. To find out more about that, visit www.Ini.wa.gov/Safety/Basics.

Adding independent contractors to the team can be a slippery slope. The definitions are pretty strict so you need to make sure they are truly independent contractors. This means that they are in business for themselves, are licensed, actively market their services, have multiple clients or customers, perform work that is outside your normal business activities, and direct their own work with little to no supervision.

If you want to test the waters for adding capacity without adding staff, you may want to check into places like elance.com (www.elance.com) or guru.com (www.guru.com), where you can hire people on a per project basis or for a fixed amount of time. Many entrepreneurs tap into these resources to grow without adding overhead. Plus, since many of these contractors are located in other parts of the world, operations can continue virtually around the clock.

To learn more about your obligations and responsibilities as an employer, visit www.esd.wa.gov.

THE EXPANSION DRAFT

Opening a new location

If you play your cards right eventually you'll be looking for expansion opportunities. You may even want to open a new location for your business, which requires a lot of due consideration, including zoning, build-out costs, infrastructure, access to qualified employees, etc.

If you open a new location, you need to update your Business License Application with the state. You'll also need to meet with local officials to make sure that you are complying with zoning, permitting and environmental rules and regulations.

A great resource for navigating these waters is the economic development organizations located in each county (a complete list of Associate Development Organizations can be found under Special Teams in the last section of the playbook). These local business experts are there to help you make informed decisions about your business, including helping you find the right site, ensuring that your workforce is properly trained, and connecting you to local business partners, potential customers and elected officials.

Expanding overseas

Nearly 10,000 businesses in the state export their products and services overseas. Exporting is a great growth strategy and it's easier than you think. With some careful research and assistance from federal and state agencies, you can begin exporting in no time.

Here are some good places to start:

- ChooseWashington.com – www.choosewashingtonstate.com/i-need-help-with/international-trade/
- ExportWashington.com - www.exportwashington.com
- Export.gov - www.export.gov
- Export Finance Assistance Center of Washington - <http://efacw.org>
- Export-Import Bank - www.exim.gov/smallbusiness/smallbuscust/index.cfm

ADDITIONAL PLAYS YOU CAN CALL

As your team's quarterback, you can choose to make some other calls. We highly recommend that you don't do an audible when running your business. Instead, you want to execute the plays you've already planned in your mind and on paper, such as those in your business plan. Winging it is no way to win a championship.

In addition to opening another location, you can opt to make these calls to grow your business over time:

- Develop your business into a franchise.
- License your product or service.
- Form a partnership that leverages your products or services with someone else's complementary offerings.
- Diversify your business into other areas, expand beyond your current line of products or services.
- Secure government contracts.
- Merge with or acquire another business that has similar synergies.
- Set up shop on the Internet to reach more customers.

REGULATION PLAY

As you expand your business, be sure to check in now and then to make sure you're still in regulatory compliance. Different rules apply to businesses as they grow, expand or diversify, so you want to go through the checklist now and then to see if a new regulation comes into play with a new location, a bigger footprint, more employees or new products or services.

A FINAL HUDDLE

We couldn't include every eventuality or hoop you'll need to jump through in this playbook. Every business is different, not only in terms of what they are starting out with but what they need to succeed.

However, we hope that we have given you enough information that you can get into the game with confidence. If you're not sure which play to call next, feel free to tap into the collective expertise of our Special Teams coaches listed in the back of this guide.

But whatever you do in business, don't be afraid to make mistakes.

Failure is part of business. Taking risks is part of the game. Every business legend has had his or her share of bonehead mistakes. Successful business people admit their errors, learn from their mistakes and continue to look down the field, never losing sight of the goal line.

Hopefully this playbook will help you make the smart plays you need to become the next Washington State Business Legend, joining an elite group of legendary men and women who have changed and continue to change the world one idea at a time.

Remember
the wise words
of Thomas Edison:

"I have not failed. I've
just found 10,000 ways
that won't work."



SPECIAL TEAMS

WASHINGTON STATE SMALL BUSINESS LIAISONS

Each state agency that deals with small business issues has a liaison who can help you navigate the process for starting, running and even closing a business in Washington State. The list of liaisons change from time to time, but use this link to print out the latest list of Small Business Liaisons: www.oria.wa.gov/portals/_oria/VersionedDocuments/Business_Publications/sbl_flyer.pdf

ASSOCIATE DEVELOPMENT ORGANIZATIONS (ADOS)

ADAMS COUNTY

Adams County Development Council
425 E Main Street, Suite 300,
Othello, WA 99344
(509) 331-2025
www.adamswaddevelopment.com

ASOTIN COUNTY

Southeast Washington EDA – Asotin
County
845 Port Way
Clarkston, WA 99403
(509) 751-9144
asotin@seweda.org
www.seweda.org

BENTON / FRANKLIN COUNTY

TRIDEC
7130 W Grandridge Boulevard, Ste A
Kennewick, WA 99336
(509) 735-1000
tridec@tridec.org
www.tridec.org

CHELAN COUNTY

Port of Chelan County
238 Olds Station Road, Suite A
Wenatchee, WA 98801
(509) 663-5159

info@portofchelancounty.com
www.portofchelancounty.com

CLALLAM COUNTY

Clallam County EDC
905 West 9th Street, Suite 139
Post Office Box 1085,
Port Angeles, WA 98362
(360) 457-7793
www.clallam.org

CLARK COUNTY

Columbia River EDC
805 Broadway, Suite 412,
Vancouver, WA 98660
(360) 567-1060
www.credc.org

COLUMBIA COUNTY

Southeast Washington EDA -
Columbia County
1 Port Way,
Dayton, WA 99328
(509) 382-2577
www.seweda.org

COWLITZ COUNTY

Cowlitz EDC
U.S. Bank 1452 Hudson, Suite 208, Post
Office Box 1278, Longview, WA 98632
(360) 423-9921
www.cowlitzedc.com

DOUGLAS COUNTY

Port of Douglas County
455 6th Street NE, Suite 100, East
Wenatchee, WA 98802
(509) 884-4700
www.portofdouglas.org

FERRY COUNTY

Tri County EDD
986 S Main , Suite A, Colville, WA 99114
(509) 684-4571
www.teddonline.com

GARFIELD COUNTY

Southeast Washington EDA-Garfield
County
910 Main Street #6, Post Office Box 953,
Pomeroy, WA 99347
(509) 843-1104
www.seweda.org

GRANT COUNTY

Grant County EDC
6594 Patton Boulevard NE, Moses Lake,
WA 98837
(509) 764-6579
www.grantedc.com

GRAYS HARBOR COUNTY

Greater Grays Harbor, Inc.
506 Duffy Street, Aberdeen, WA 98520
(360) 532-7888
www.ghedc.com

ISLAND COUNTY

Island County EDC
180 NW Coveland Street, Suite B, Post
Office Box 279, Coupeville, WA 98239
(360) 678-6889
www.islandcountyedc.com

JEFFERSON COUNTY

EDC Team Jefferson
2410 Washington Street,
Port Townsend, WA 98339
(360)-379-4693
www.edcteamjefferson.com

KING COUNTY

EDC of Seattle and King County
1301 5th Avenue, Suite 2500,
Seattle, WA 98101
(206) 389-8669
www.edc-seaking.org

KITSAP COUNTY

Kitsap Economic Development Alliance
4312 Kitsap Way, Suite 103,
Bremerton, WA 98312
(360) 377-9599
www.kitsapeda.org

KITTITAS COUNTY

Kittitas County Chamber of Commerce
609 N Main Street,
Ellensburg, WA 98926
(509) 925-2002
www.Kittitascountychamber.com

KLICKITAT COUNTY

Klickitat County PEDAC
County Courthouse Annex V, 127 W
Court Street MS-CH-26,
Goldendale, WA 98620
(509) 773-7060
www.klickitatcounty.org/business

LEWIS COUNTY

Lewis County EDC
1611 N. National, Post Office Box 916,
Chehalis, WA 98532
(360) 748-0114
www.lewisedc.com

LINCOLN COUNTY

Lincoln County EDC
303 6th Street, Post Office Box 1304,
Davenport, WA 99122
(509) 725-1170
www.lincolnedc.org

MASON COUNTY

EDC of Mason County
2948 Olympic Hwy N Suite #1,
Post Office Box 472, Shelton, WA 98584
(360) 426-2276
info@masonedc.com
www.masonedc.com

OKANOGAN COUNTY

The Economic Alliance
320 Omak Avenue, Post Office Box 626,
Omak, WA 98841
(509) 826-5107
www.economic-alliance.com

PACIFIC COUNTY

Pacific County EDC
211 Commercial Street,
Raymond, WA 98577
(360) 875-9330
www.pacificedc.org

PEND OREILLE COUNTY

Pend Oreille County EDC
301 W Spruce St., P.O. Box 1616,
Newport, WA 99156
(509) 447-5569
www.pendoreilleco.org

PIERCE COUNTY

EDB for Tacoma-Pierce County
950 Pacific Ave., Suite 410,
P.O. Box 1555, Tacoma, WA 98401-1555
(253) 383-4726
www.edbtacomapierce.org

SAN JUAN COUNTY

San Juan County EDC
540 Guard St., Suite 110, P.O. Box 3053,
Friday Harbor, WA 98250
(360) 378-2906
www.sanjuansedc.org

SKAGIT COUNTY

EDA of Skagit County
204 W Montgomery, P.O. Box 40, Mt.
Vernon, WA 98273
(360) 336-6114
www.skagit.org

SKAMANIA COUNTY

Skamania County EDC
167 NW Second, P.O. Box 436,
Stevenson, WA 98648
(509) 427-5110
www.skamania-edc.org

SNOHOMISH COUNTY

Economic Alliance Snohomish County
808 134th St SW, Suite 101,
Everett, WA 98204
(425) 248-4219
www.economicalliancesc.org

SPOKANE COUNTY

Greater Spokane Incorporated
801 W Riverside, Suite. 100,
Spokane, WA 99201
(509) 624-1393
www.greaterspokane.org

STEVENS COUNTY

Tri County EDD
986 S Main, Suite A, Colville WA 99114
(509) 684-4571
www.teddonline.com

THURSTON COUNTY

Thurston County EDC
665 Woodland Square Loop SE, Suite
201, Lacey, WA 98503
(360) 754-6320
www.thurstonedc.com

WAHIAKUM COUNTY

Wahkiakum Chamber of Commerce
35 Butler Street, P.O. Box 52,
Cathlamet, WA 98612
(360) 795-9996
www.wahkiakumchamber.com

WALLA WALLA COUNTY

Port of Walla Walla EDC
310 "A" Street,
Walla Walla Regional Airport,
Walla Walla, WA 99362
(509) 525-3100
www.portwallawalla.com

WHATCOM COUNTY

Port of Bellingham
1801 Roeder Ave.,
Bellingham, WA 98225
(360) 715-7396
www.portofbellingham.com

WHITMAN COUNTY

Southeast Washington EDA
Whitman County
126 S Grand
Pullman, WA 99163
(208) 301-1011
www.seweda.org

YAKIMA COUNTY

Yakima County Development Association
10 N 9th St., P.O. Box 1387,
Yakima, WA 98901
(509) 575-1140
www.ycda.com

**U.S. SMALL BUSINESS
ADMINISTRATION****Seattle District Office**

4th & Battery Building, 2401 4th Ave.
Suite 450, Seattle, WA 98121
(206) 553-7310
www.sba.gov/wa

Spokane Branch Office

801 W. Riverside Ave., Suite 444,
Spokane, WA 99201
(509) 353-2800

**Small Business
Development Centers****ABERDEEN**

WSU-Aberdeen SBDC
1620 Edward P. Smith Drive Bldg. 200,
Room 204-B , Aberdeen, WA 95820
(360) 538-2530
www.wsbdc.org

AUBURN

Green River Community College SBDC
110 2nd Street SW Suite 135,
Auburn, WA 98001
(253) 333-4953

BELLINGHAM

Western Washington University SBDC
115 Unity St. Suite 101,
Bellingham, WA 98225
(360) 788-1762

DES MOINES

Highline Community College SBDC
23835 Pacific Highway South Suite 102,
Des Moines, WA 98198
(206) 592-4151

EDMONDS

Edmonds Community College SBDC
808 134th Street SW Suite 101,
Everett, WA 98204
(425) 640-1435

KENNEWICK

Columbia Basin College SBDC
7130 W. Grandridge Blvd.,
Kennewick, WA 99336
(509) 735-6222

LACEY

South Puget Sound Community College
SBDC
665 Woodland Square Loop SE, Suite
100, Lacey, WA 98503
(360) 407-0014

LONGVIEW

WSU-Longview SBDC
1946 SW 3rd Ave.,
Longview, WA 98632
(360) 578-5449

MOSES LAKE

WSU-Moses Lake SBDC
7662 Chanute Street NE
Bldg. 1800, Room 1857A,
Moses Lake, WA 98837
(509) 793-2373

MOUNT VERNON

EDA of Skagit Valley
204 W Montgomery,
Mt Vernon, WA 98273
(360) 336-6114

OMAK

Economic Alliance for Okanogan County
SBDC
320 Omak Avenue
Omak, WA 98841
(509) 826-5107

PORT TOWNSEND

WSU-Port Townsend SBDC
211 Taylor Street Suite 402A,
Port Townsend, WA 98368
(360) 344-3078

PULLMAN

WSU-Pullman SBDC
1610 NE Eastgate Blvd, Suite 650
Pullman, WA 99163
(509) 335-8081

SEATTLE

WSU-Seattle SBDC
901 Fifth Street Suite 2900,
Seattle, WA 98164
(206) 428-3022

WSU-South Seattle SBDC
13925 Interurban Avenue S. H931,
Seattle, WA 98168
(206) 246-4445

SPOKANE

WSU-Spokane SBDC
1235 N. Post Street Suite 201,
Spokane, WA 99201
(509) 358-7890

TACOMA

WSU-Tacoma - Bates Technical College
1101 South Yakima Room M-123,
Tacoma, WA 98405
(253) 680-7768

VANCOUVER

WSU-Vancouver SBDC
11700 NE 95th Street Suite 102,
Vancouver, WA 98682
(360) 260-6372

WALLA WALLA

WSU-Walla Walla SBDC
310 A Street
Walla Walla Regional Airport,
Walla Walla, WA 99362
(509) 370-5731

WENATCHEE

WSU – Wenatchee SBDC
238 Olds Station Road Suite A,
Wenatchee, WA 98801
(509) 888-7252

YAKIMA

WSU - Yakima SBDC
10 North 9th Street,
Yakima, WA 98801
(509) 454-7612

WASHINGTON STATE DEPARTMENT OF COMMERCE

Business Services Division

The Business Services Division (BSD) offer companies doing business in and with Washington State an impressive array of consulting and support services, most of which are free.

Our goal is to make it easy to do business in Washington, whether you're interested in exporting, expanding, relocating or growing your market share. We offer a team of trustworthy professionals with real-world business experience whose results-oriented approach is focused entirely on your success. We can provide you with adaptive and customized programs and services that meet your specific needs, using a collaborative approach that allows you to grow your company, increase sales, enter new markets and hire more workers.

International Trade

Washington State is the third largest exporter in the U.S., exporting more than \$90 billion worth of goods and services annually. To increase exports statewide, the International Trade team offers companies the expertise, programs and services they need to confidently enter new markets to expand market share, generate new revenue streams and create new jobs throughout Washington.

SERVICES INCLUDE:

- **Advocacy.** Removing barriers and troubleshooting problems related to shipping documentation, customs, logistics, visas, etc.
- **Consulting.** Assisting with the creation of an exporting plan, clarifying international trade laws, finding translation services, and introducing you to foreign representatives and buyers.
- **Risk mitigation.** Researching trade partners and customers to ensure they are credit worthy and providing assistance with issues related to currency exchange, payment terms, and more.
- **Market Research.** Assessing and analyzing prospective international markets.
- **Business Matchmaking.** Connecting companies to international partners, customers, organizations and officials.
- **Trade Missions and Trade Shows.** Accessing high-level overseas trade missions, including participation in international trade shows, government-level business introductions that open doors to trade, and business-to-business meetings.
- **Customized Trade Programs and Services.** Our trade team will be happy to create a program or service that meets your specific business needs.

Business Development

Washington has a lot to offer businesses that are in a high growth mode, looking for additional space or planning to expand. The Business Development unit delivers jobs, stability and diversity to Washington's economy by providing companies throughout the U.S. and the world with resources and assistance so they can expand their footprint in Washington. The team also provides in-state businesses with the services they need to grow and expand their operations and create jobs.

SERVICES INCLUDE:

- **Site Selection.** Identifying and analyzing prospective sites and guiding you through the selection and siting process. We work with local economic development organizations throughout the state to find the ideal location for your project.
- **Permitting.** Guiding you through state and local permitting and regulatory processes.
- **Utilities.** Assessing utility requirements and serving as a liaison between your firm and utility providers and oversight agencies.
- **Infrastructure.** Identifying logistical needs and solutions such as proximity to deep-water ports, air routes and railways.
- **Incentives.** Researching available tax incentives, exemptions and deferrals that can reduce your tax burdens and spur investments in new technologies and equipment.
- **Connections.** Connecting you to the state's innovation partnership zones and foreign trade zones.
- **Financing.** Directing you to financial resources, including temporary bridge loans, long-term loans to fund new construction and infrastructure, and small business and start up loans.
- **Workforce Training.** Our Business Development team can connect you to workforce training throughout the state and even create a custom program that meets your specific needs.

Startup 365 Washington

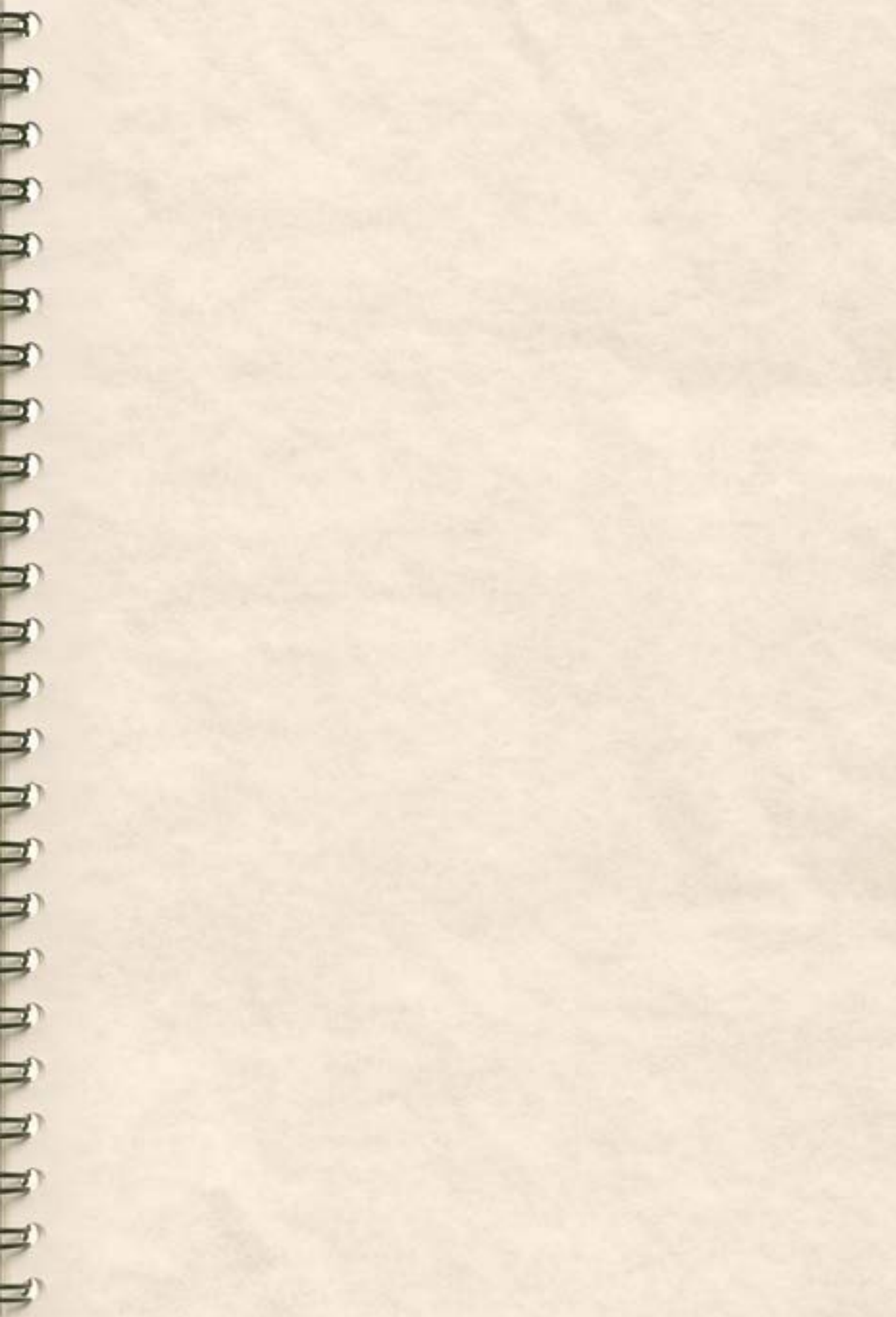
Startup 365 Washington is designed to keep economic and intellectual wealth in communities throughout Washington. Part of the governor's long-term economic development plan, Startup 365 Washington focuses on growing and nurturing small businesses and developing entrepreneurs at the local level through education, technical assistance, information and training. Startup 365 provides resources, networking and education to communities large and small through

its website, Fund Local, disaster preparedness and yearly entrepreneurial events, such as Global Entrepreneurship Week, a statewide celebration of entrepreneurship that draws thousands of budding entrepreneurs to events and competitions in all 39 counties.

**Business Services Division
Washington State
Department of Commerce**
(206) 256-6100

moreinfo@choosewashington.com
www.choosewashingtonstate.com







Department of Commerce
Innovation is in our nature.