

# **Notes for “How to Start Your Own Business”**

**Part 1: Minimalist View of What Happens When You Run Your Own Company**

**Part 2: FAQs: How to Start Your Own Company in Oregon**

**Part 3: Steps in Starting a Limited Liability Company in Oregon**

**Information herein applies to Oregon.**

**Presenter:  
Steve Wetterling**

**President of Servenger LLC**

**September 28, 2007**

***The Disclaimer:* I am not an attorney and do not give legal advice.  
I recommend that you get an attorney and follow his/her advice.**

## **Part 1:**

# **Minimalist View of What Happens When You Run Your Own Company:**

### **For a “Service Company”:**

- 1. Start with resources: money, intelligence, time, knowledge, specialized skills, tools, work place, check book, a business form, partners, life energy, etc.**
- 2. Spend some of your resources finding a client that needs the services that you can provide (starts with a “marketing plan”).**
- 3. Perform a service that creates value for the client by your doing it.**
- 4. Get paid something for that value created.**
- 5. Pay the expenses incurred.**
- 6. Minimize the taxes.**
- 7. Avoid legal liabilities.**
- 8. Pay the debts of your company.**
- 9. Pay the investors.**
- 10. Pay yourself.**
- 11. Have enough money left over to do it again.**

## **For a “Sales Company”:**

- 1. Start with resources: money, intelligence, time, knowledge, specialized skills, tools, work place, check book, a business form, partners, life energy, etc.**
- 2. Find an interesting product that someone else already makes that will be attractive to customers.**
- 3. Find enough customers who say that they will purchase such a product, if ..... (called market research & market testing).**
- 4. Define a way to get the product in front of customers so that they can see it, desire it, buy it and pay for it: retail store, door-to-door, weekend craft faire or farmers’ market, Internet webstore, eBay, etc.**
- 5. Spend some of your resources developing the method to attract customers and sell the product: rent & equip a retail location, build a trailer to sell hot dogs at the county fair, create a webstore.**
- 6. Spend some of your resources buying an inventory of products to be ready to sell to your prospective customers.**
- 7. Spend some of your resources to get back to the original market research customers and as many new customers as possible to try to get them to order and take delivery of the product.**
- 8. While waiting for those customers to pay you (called “Accounts Receivable”), go get new orders from new customers.**
- 9. Get paid by the customers who took delivery on your product 3 months ago (called “Income”) and continue ramping up customer orders, shipments, deliveries and Accounts Receivable (note that an increasing rate of sales necessarily means an increasing amount of Accounts Receivable which consumes cash.)**
- 10. Pay the expenses incurred.**
- 11. Minimize the taxes.**
- 12. Avoid legal liabilities.**
- 13. Pay the debts of the company.**
- 14. Pay the investors.**
- 15. Pay yourself.**
- 16. Have enough money left over to do it again.**

## **For a “Product Company”:**

1. **Start with resources: money, intelligence, time, knowledge, specialized skills, tools, work place, check book, a business form, partners, life energy, etc.**
2. **Define a product that will be attractive to customer.**
3. **Find enough customers who say that they will purchase such a product, if ..... (called market research & market testing).**
4. **Spend some of your resources developing the concept into a product demonstration.**
5. **Go back to the original customers and as many new customers as possible to try to get them to say that will purchase such a product, if .....**
6. **Spend some of your resources setting up a manufacturing method for an initial quantity of the product.**
7. **Spend some of your resources setting up a sales function to get products in front of customers and start taking orders.**
8. **Spend some of your resources to manufacture and deliver the product to fulfill the initial orders from customers.**
9. **While waiting for those customers to pay you (called “Accounts Receivable”), go get new orders from new customers.**
10. **Get paid by the customers who took delivery on your product 3 months ago (called “Income”) and continue ramping up customer orders, shipments, deliveries and Accounts Receivable (note that an increasing rate of sales necessarily means an increasing amount of Accounts Receivable which consumes cash.)**
11. **Pay the expenses incurred.**
12. **Minimize the taxes.**
13. **Avoid legal liabilities.**
14. **Pay the debts of the company.**
15. **Pay the investors.**
16. **Pay yourself.**
17. **Have enough money left over to do it again.**

**⇒ Notice that as you move from a Service to a Sales and then to a Product kind of company, the need to spend more money to get things going increases.**

## **Part 2:**

# **FAQs: How to Start Your Own Company in Oregon**

**Q: In starting a new business in Oregon, what are the allowed legal “business forms” ?**

**A: For most businesses established in Oregon, the legal business form for a new company will be one of the following:**

- 1. Sole proprietorship, usually with a Registered Business Name or “dba” (means “doing business as”)**
- 2. Partnership**
- 3. Partnership with a corporate tax feature, called a “Subchapter S corporation”**
- 4. Limited Liability Company**
- 5. Corporation with officers, board of directors, shareholders, etc.**

**For certain “Professionals” such as doctors, dentists, accountants, surveyors and MAYBE Professional Engineers, you must be organized as a Professional Corporation with a separate set of liability rules.**

**Q: Why would you want to be a Limited Liability Company ?**

**A: Works to limit personal liability for actions/inactions/errors by the company and its agents.**

**Q: Doesn’t a corporation business form provide a limit to personal liability ?**

**A: Yes, but only if you carefully follow all the rules to set up and run your company, have the required meetings and file all the required reports on time. Otherwise, an aggressive tort attorney can attempt to “pierce the corporate veil” and go after your personal assets.**

**Q: What are the advantages of a Limited Liability Company for an entrepreneur ?**

**A: With a Limited Liability Company, you have:**

- Limited personal liability**
- Business form that is very simple to set up and run**
- Separate and much simpler set of legal rules compared to being a corporation**
- Harder for liability claimants to break the limit on personal liability**
- Investment and ownership rules appropriate for a small number of members**
- Easy to change to other business forms as your business grows and acquired partners or investors.**

**Q: What does it cost to set up a Limited Liability Company:**

**A: Filing fees on “Do it yourself basis” are cheap – generally less than \$100 to file the founding form plus \$5 to have a stamped copy sent back to you . Make all filings with a cover letter stating that you want the stamped copy and include a VISA charge number so that they can do an immediate transaction (otherwise they wait two weeks for personal checks to clear). You can actually do the filings by FAX or on-line. To send a document to the Corporate Division, use a United Parcel Service Letter for next day delivery with traceable proof of delivery. Don’t use the US Postal Service because all Oregon State government postal deliveries go into one big Oregon State mail-processing center in Salem and will be delayed in getting to the Corporate Division.**

**You will need to file forms to:**

- #1 – Reserve a business name: Go to the “Business Registry” to research what names are already taken and what are available. Download, fill out the current form (Forms & Fees Section) and send it by mail, FAX or on-line to “Reserve a Business Name” which is good for a number of weeks.**
- #2 – Establish the Articles of Organization: Download, fill out the current form for the new business and send it by mail, FAX or on-line. Pay the extra fee to have a stamped copy mailed back to you.**
- #3 – When you receive the stamped copy back from the Corporation Division, download IRS Form SS-4, fill it out and then CALL the IRS to get your Employer Identification Number. There is no charge for this. They will send a computer generated document to confirm the EIN they give you over the phone. If you know that you are not going to have employees right away then say NO to when they ask about this. This will keep you out of the payroll taxes withholding process until you do have employees.**
- #4 – Take the stamped copy of your Articles of Organization and the SS-4/EIN to your bank to open a Business Checking account. US Bank and several other banks now offer free or very low cost small business checking accounts. When you are at the bank introduce yourself to the branch manager and the assistant manager so that they can get to know you.**

**With a registered Articles of Organization, a Federal EIN and a business checking account, you now have the minimal set of things to “be in business”.**

**Part 3:**  
**Steps in Starting a Limited Liability  
Company in Oregon**

## How do I/we set up a Limited Liability Company in Oregon ?

AA) Go to Oregon Corporation Division at [www.filinginoregon.com](http://www.filinginoregon.com) ⇒ Either click on “Starting a Business” and follow the Steps 1 through 10 with actions specific to forming a Limited Liability Company, or use the “Business Wizard”. The steps are approximately as follows:

**Step 1: Getting Started**

**Step 2: Create a Business Plan and Select Your Business Name and Business Form**

**Step 3: Research and reserve a business name**

**Step 4: Fill out the forms from the website and register your business**

**Step 5: Understand and arrange to pay your payroll based and your profit based taxes ⇒ Download the IRS SS-4 Form then call the IRS and they will give you a new Federal Employer Identification Number (EIN) which you MUST have to set up a business checking account with a bank**

**Step 6: Deal with the special licenses, patents, trademarks, etc. that are important for your business**

**Step 7: If you deal with the public or get big enough you must conform to the Americans with Disabilities Act requirements.**

**Step 8: If you will be paying others for doing work for your company, you must understand who is a “contractor” and who must be treated as an “employee” => Oregon rules are different and much more stringent than the Federal rules. In hiring employees, there is a LOT of work you have to do to set up payroll, payroll withholdings, quarterly tax filings, unemployment insurances, OSHA, Transit Taxes, etc., etc., etc. You may want to arrange to hire your employees through a Human Resources Service company (there are lots of them in Oregon and Washington).**

**Step 9: Get help ⇒ You are going to need it.**

- Set up a Board of Advisors for your venture.
- Use the many resources of Oregon and Washington that seek to help new businesses.
- Use the Small Business Administration SCORE services to help you improve your business plan and marketing plan.

**Step 10: Do the things that must be done monthly, quarterly and annually to keep your business going – tax filings and depositing money for withholdings, renew your company registration, etc.**

**BB) Buy a good reference book about setting and running an LLC. Good example is “Nolo: Form Your Own Limited Liability Company” from the Nolo publishing company website: [www.nolo.com](http://www.nolo.com). Read about the features and elements of a Limited Liability Company and follow the directions given concerning:**

- **Researching and reserving a business name**
- **Creating and filing the “Articles of Organization”**
- **Know what a Member is for an LLC**
- **Know how Membership is determined in an LLC**
- **Know the difference between a “Member-Managed LLC” and a “Manager Managed LLC”**
- **Creating and approving the Operating Agreement appropriate for your kind of LLC and agreeable to the Members of the company**
- **Know what a “Capital Account” is for an LLC and how to set up and keep track of Capital Accounts for Members**
- **Know how to pay yourself from an LLC and why you have to pay it back if you take too much**

**CC) Download and read one time the Oregon Revised Statute 63 having to do with Limited Liability Companies. It does not read well, there are many revisions & strikeouts from previous versions but it is THE LAW. Do this before you hire your first business attorney so that you know what he/she is doing for you.**

**DD) Get a good attorney and a good accounting and tax preparation person.**

- **If you are always going to be a small business, you can get a small business attorney and small business accounting and tax preparation person.**
- **If you are doing a serious new product company start up and plan on getting really big, you need to get with the biggest, meanest legal firm and highest powered accounting and tax preparation firm you can. They will cost big a lot more and consume a lot of your time and energy. However, they will open doors and provide contacts for you that you CANNOT make yourself.**

**Footnote: The “C” in LLC refers to “Company” and not to “Corporation.” Don’t make this mistake in usage and don’t let others you deal with make this mistake lest you unintentionally end up as a corporation.**