

GUAM

BUSINESS RESOURCE GUIDE

2010 EDITION



A PUBLICATION PROVIDED BY THE
UNIVERSITY OF GUAM SMALL BUSINESS DEVELOPMENT CENTER
AND THE PACIFIC CENTER FOR ECONOMIC INITIATIVES

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www.uog.edu/sbpa

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I. Introduction



Welcome to the Guam Business Resource Guide!

We hope you find the Guam Business Resource Guide a useful source of information for your company. In this guide you will find a valuable compilation of relevant business information, as well as public and private business resources and contact information. Our goal is to make the process of doing business in Guam easier. We do this by setting out all of the basic information that businesses operating in Guam need to know, and by providing contact information to professional and industry specialists that can help you start-up, grow and expand your business.

Please note that businesses operating in Guam must comply with the laws and regulations of both the United States and the Government of Guam.

Guam welcomes new businesses to its business community family. We trust you will find that operating a business here to be both a personally rewarding and a profitable experience. With proper planning, sound management practices, well trained employees, the appropriate level of investment, and access to credible sources of business information, we believe that you will then have laid the foundations for a bright and prosperous business future in Guam.



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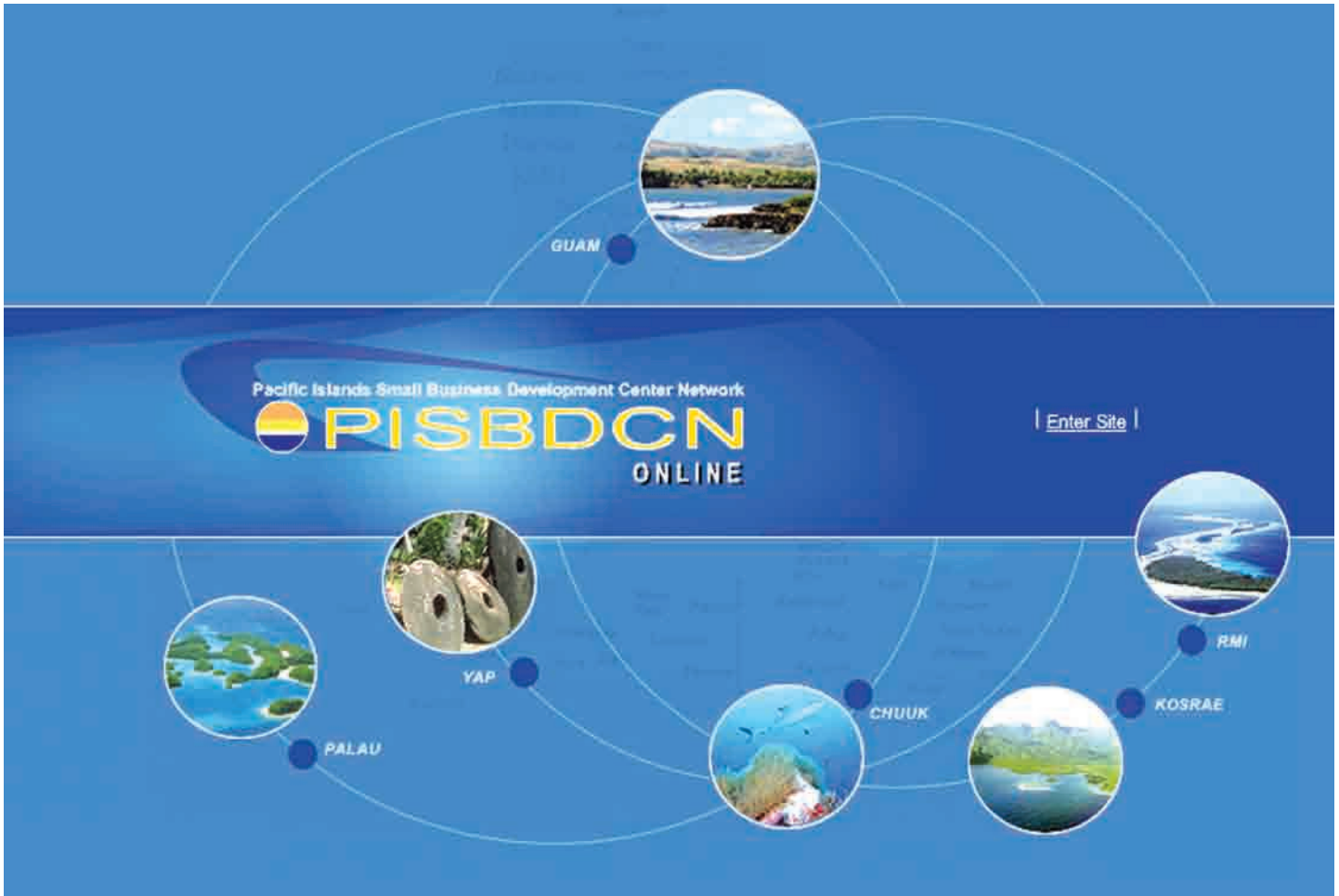
This guide is provided for you by the Guam Small Business Development Center (SBDC) which is sponsored by the U.S. Small Business Administration (SBA) under a Cooperative Agreement and by the Pacific Center for Economic Initiatives (PCEI) which is funded through a grant provided from the U.S. Economic Development Administration (EDA). SBA and EDA participation is not an endorsement of the views, opinions, or services referenced in this publication or any advertisers. SBA and EDA programs are extended to the general public on a non-discriminatory basis.



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Publication Date: June 2010

1.1 Guam Small Business Development Center



The Guam Small Business Development Center is a member of the Pacific Islands Small Business Development Center Network (PISBDCN). Its mission is to support the growth and economic development of the U.S. affiliated islands in the western Pacific by providing free, one-to-one, confidential business counseling and high quality training to existing and prospective small businesses. For more information about our network and programs, please visit our website at www.pacificsbdc.com or communicate directly with our service centers at the contacts listed below.

Guam SBDC

Leon Guerrero School of Business &
Public Administration Building
University of Guam
PO Box 5014, UOG Station
Mangilao, Guam 96923
Tel: (671) 735-2590
Fax: (671) 734-2002

Palau SBDC

P.O. Box 9
Koror, Palau 96940
Tel: (680) 587-6004
Fax: (680) 587-1549

Republic of the Marshall Islands SBDC

P.O. Box 1727
Majuro, Marshall Islands 96960
Tel: (692) 625-3685/3384
Fax: (692)-625-3821

Chuuk SBDC

P.O. Box 1604
Weno, Chuuk FM 96942
Tel: (691) 330-5846
Fax: (691) 330-5847

Kosrae SBDC

P.O. Box 577
Tofol, Kosrae State FM 96944
Tel: (691) 370-2751
Fax: (691) 370-2066

Yap SBDC

P.O. Box 1171
Colonia, Yap FM 96943
Tel: (691) 350-4801
Fax: (691) 350-4803

1.2 UOG Pacific Center for Economic Initiatives

The University of Guam Pacific Center for Economic Initiatives (UOG PCEI) is funded by the U.S. Department of Commerce Economic Development Administration (EDA). Its goal is to help build local entrepreneurship and local information resource capacity.

As part of a comprehensive approach towards entrepreneurship and economic development in regional areas. It is aligned with the University's land-grant outreach mission to support economic development on Guam and in the neighboring region.

In partnership with the Government of Guam Bureau of Statistics and Plans, and the Pacific Islands Small Business Development Center Network (PISBDCN), and housed at UOG's School of Business and Public Administration, UOG PCEI serves as a reservoir for:

- Accessible secondary and post-secondary entrepreneurship education;
- Adult entrepreneurial training;
- Resource experts for entrepreneurs at all levels;
- Technical assistance for small business planning initiatives; Local and relevant market and economic information for industry development; and
- Readily accessible information through its resource database.



Target Initiatives

In order to build and sustain a culture of entrepreneurship to promote economic development in its respective target areas, UOG PCEI proposes to achieve the following initiatives:

Promote entrepreneurship education in middle and high schools in conjunction with Junior Achievement and local Small Business Development Centers; Provide small businesses access to resource experts for training and technical assistance services (market assessments, feasibility

studies, etc.); Build local research capacity to produce market, economic, and planning data for small businesses and industry development; and Consolidate links for electronic downloadable, local resource information for one-stop small business access.

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2. About Guam

2.1 Historical Background

The original inhabitants of Guam are believed to have been of Indo-Malaya descent originating from Southeast Asia as early as 2,000 B.C., and having linguistic and cultural similarities to Malaysia, Indonesia and the Philippines. The Chamorro people flourished as an advanced fishing, horticultural, and hunting society. They were expert seamen and skilled craftsmen, familiar with intricate weaving and detailed pottery making, who built unique houses and canoes suited to this part of the world.

In 1521, Ferdinand Magellan from Spain is believed to be the first European visitor to Guam. Subsequently, Guam and the other Mariana Islands were formally claimed for Spain Crown by Miguel Lopez de Legazpi in 1565. More than 100 years later in 1668, Jesuit missionaries led by Padre Diego Luis de San Vitores arrived to establish a measure of European civilization, including Christianity and trade. The Spanish taught the Chamorros to cultivate maize (corn), raise introduced cattle and tan hides, as well as to adopt western-style clothing. Once Christianity was firmly established, the Catholic Church became the focal point for village activities.

The United States claimed Guam after the Spanish-American War in 1898, and except for the Japanese occupation during World War II, has governed Guam ever since.

In 1941, Japan invaded Guam and occupied the territory until July 21, 1944. On this day, American forces landed in Guam and, after three weeks of bitter fighting, the island was liberated and declared safe. Now called Liberation Day, it is enthusiastically celebrated as a national holiday in Guam.

On May 30, 1946, a naval government was reestablished in Guam. Three years later, in 1949, U.S. President Harry S. Truman signed the Organic Act of Guam. It declared that Guam would be known as the Territory of Guam; that it is governed by the executive, legislative, and judicial branches of a civilian government; and the people resident in Guam at that time became United States citizens.

In 1962, the U.S. Navy lifted the World War II security clearance requirement for travel to and from Guam, and in 1967 Pan American Airways flew its inaugural flight from Japan to Guam. Since that time, Guam's tourism-based economy has continued to diversify and expand.

Guam is situated between Hawaii and the Philippines at 13 °28" north latitude, 144 °44" east longitude, has a land mass of approximately 212 square miles (549 square kilometers), tropical temperatures ranging from 75 to 85 degrees Fahrenheit (24 to 30 degrees Celsius), and an average annual rainfall of 85 to 100 inches. There are two seasons: a rainy season from June through December; and a dry season from January through May.

Today, Guam is home to a strong and well organized business community, growing military commands, world class telecommunications, and a thriving tourism industry. Operating under the protection of the U.S. rule of law, Guam serves as America's gateway to Micronesia, the Western Pacific, and Asia. It is only 3 to 4.5 hours flying time to Japan, Korea, Okinawa, Taiwan, Hong Kong, China and the Philippines; within two time zones of these same cities; and west of the International Dateline. This gives businesses in Guam a head start on their counterparts and competitors in both Asia and the U.S. mainland.

For more information on the history, culture and attractions of Guam, please visit: www.visitguam.org

2.2 Economic Overview

Guam is a tropical island ideally located in the middle of the Western Pacific with convenient flights from its international airport to virtually every hub in the Pacific Rim. The mainstays of the economy are the more than 1 million tourists that visit the island each year; the commerce generated by the presence of more than 8,000 military personnel and their dependents, and the growing number of businesses that serve the local community.

Within the next 5-10 years, Guam is expecting a major growth in its population, currently estimated at 171,000 island residents. According to recent US estimates ([source: http://www.gao.gov/new.items/d09500r.pdf](http://www.gao.gov/new.items/d09500r.pdf)), the island's population will increase by 25,000, including more than 8,000 active duty Marines who will be relocated from Okinawa, together with other active duty military personnel and their dependents. To facilitate this military build-up, an additional 15,000 off-island workers, plus their dependents, will be required to supplement the local labor force, and will become part of the local population for several years. The announcement of the Marine relocation, and the overall military build-up since 2005, has already generated optimism, with booms in real estate and construction, as well as increase in business activity as firms position themselves to serve the growth of the military community. Policymakers and the local community are also looking to use the military build-up as an opportunity to further develop the local economy and increase the standard of living for Guam residents.

Businesses operating in Guam have a distinct advantage over other region locations because of Guam's U.S. dollar based economy, U.S. judicial system, proximity to economic hubs in the region, state of the art communications, and a reasonable business infrastructure.

According to the 2007 Economic Census conducted in Guam ([source: guamdol.net/BLS/2007_Economic_Census_of_Island_Areas_Guam_Rev060109.pdf](http://www.guamdol.net/BLS/2007_Economic_Census_of_Island_Areas_Guam_Rev060109.pdf)):

- There were 3,143 businesses operating in Guam in 2007, which was 7.4% more than in 2002. The top three industries represented were hotel accommodation and food services, retail trade, and construction.
- In 2007, total revenues by all businesses in Guam increased by 36% to \$6.244 billion in current prices from 2002. The bad news about this is that 2002 was a low point for the Guam economy, and adjusted for inflation, changes in inventory and imports, this figure suggests that the economy, in real terms, remain the same as it was 5 years ago. The good news is that the local economy has the capacity to handle further economic growth, and a population that is eager to see this happen.
- Compared to 2002, local businesses created 21% more local jobs in 2007, and employed more than 52,000 people.
- Tourism continues to be a significant driver of the local economy, making up 32% of economy-wide sales, valued at almost \$2 billion in current prices.

The spirit of entrepreneurship and small business ownership is also alive and well in Guam, with more than 63% of local businesses reporting less than 10 employees in 2008 ([source: www.guamdol.net/BLS/ACE_Official_Release_013009.pdf](http://www.guamdol.net/BLS/ACE_Official_Release_013009.pdf)).

The breakdown is as follows:

- 1-4 employees: 40.32% of all Guam businesses;
- 5-9 employees: 23.36%;
- 10-19 employees: 17.09%;
- 20-49 employees: 11.6%;
- 50-99 employees: 4.21%; and
- More than 100 employees: 3.47%.

The cost of living on Guam is reasonable, as measured by the Consumer Price Index (CPI) based inflation rate of 6.2% in 2008, and a 7.7% average increase over the past five years. Like many small, geographically isolated economies, Guam's inflation is heavily influenced by rising energy costs, both directly (when consumers pay for energy) and indirectly (as part of the cost to ship goods to Guam). Also contributing to the recent cost trends are mini booms in real estate and construction, which have pushed up prices of properties for sale and rent, as well as building materials. (source: www.bsp.guam.gov/2009%201st%20Qtr%20CPI%20Publication.pdf).

Despite this increase in the cost of living, the average hourly wage rate in the private sector has not increased significantly over the past five years, with a low of \$10.68 in June 2006 and a high of \$11.63 in March 2009 (source: guamdol.net/content/view/358/226/).

Projecting 10 years forward from the 2000 Census data, Guam-based businesses will continue to benefit from a young, literate and productive labor force (source: www.census.gov/prod/cen2000/island/GUAMprofile.pdf), with:

- 20-29 age group: 17% of the island's population;
- 30-34 age group: 8%; and
- 35-44 age group: 8%.

The Census data shows the median age to be 27.4 years. Also from the same source, more than two-thirds (2/3) of those age 25 or older have completed secondary education, while 20% have tertiary education or higher.

2.3 Government

The federal Organic Act of Guam governs the relations between Guam and the United States and provides for full American citizenship for all people born in Guam.

Office of the Governor - Guam has a governor and lieutenant governor elected for a four-year term. For information about initiatives by the current administration, please refer to:

Governor of Guam

P. O. Box 2950
Hagåtña, Guam 96932
P: (671) 472-8931-6
F: (671) 477-4826
W: www.guamgovernor.net

Guam Legislature - The Guam Legislature consists of fifteen senators sitting in a unicameral body that convenes at will during a two year term. Senators are elected at large. Most senators welcome businesses with legitimate concerns or ideas about improving the economic climate to communicate directly with their offices. For information about initiatives by the current legislature, as well as bills and Guam public laws, please refer to:

Guam Legislature

155 Hesler Place
Hagåtña, Guam 96910
P: (671) 472-3501
F: (671) 472-3459
W: www.guamlegislature.com

Mayor's Council of Guam - The territory of Guam is divided into 19 municipalities more commonly called villages. Each municipality is governed by an elected mayor, an elected vice mayor, and an appointed municipal council. Mayors and vice mayors are responsible for assuring that an appropriate level of service is provided to the villages, and that these services are distributed equally. These services include senior citizen and youth activities and facilities, public health and welfare, public security, beautification, and maintenance of streets and parks. Businesses considering locating to a particular village should consider paying a visit to the Office of the local Mayor to obtain information about community needs and priorities. For information about initiatives by the Mayor's Council of Guam, please refer to:

Mayor's Council of Guam

P. O. Box 786
Hagåtña, Guam 96932
P: (671) 472-6940/477-8461
F: (671) 472-8777
W: www.mayorscouncilofguam.org

2.4 Judiciary

Businesses established on Guam have a distinct advantage over others in the region in that they enjoy the protection of the U.S. judicial system. Should a business encounter legal disputes, it can rely on Guam's local court system as a means for resolving the issue.

Guam's local court system consists of the Supreme Court of Guam and the Superior Court of Guam, known today as the Unified Courts of Guam. Guam's judges and justices are appointed by the Governor and confirmed by the Legislature.

Contact Information:

Unified Courts of Guam

120 West O'Brien Drive
Hagåtña, Guam 96910
P: (671) 475-3413
F: (671) 475-3140
W: www.guamsupremecourt.com

There is also a federal court, the District Court of Guam, with jurisdiction over the Territory of Guam. Unlike United States district courts, judges on the District Court of Guam do not have life tenure. Appeals of the court's decisions are taken to the United States Court of Appeals for the Ninth Circuit.

Contact Information:

District Court of Guam

4th Floor, U.S. Courthouse
520 West Soledad Avenue
Hagatna, Guam 96910
Clerk of Court
P: (671) 473-9100
F: (671) 473-9152
W: www.gud.uscourts.gov

2.5 Education

A full American-style public school system is available to all citizens and residents of the Territory. Education receives particular emphasis as close to half of the government's budget is education-related. The Government of Guam spends approximately 40% of its annual budget on education and Guam has some of the highest requirements for teaching credentials in the United States. There are 25 public and 15 private elementary schools; 7 public and 12 private middle schools; 5 public and 9 private high schools; and, 3 Department of Defense schools on Guam. The University of Guam and the Guam Community College provide post-secondary degrees in a number of disciplines. As with Guam's high schools, both institutions are fully accredited by the Western Association of Schools and Colleges.

- **Guam Department of Education (DOE)**, also known as the Guam Public School System (GPSS), is a unified public school system of education providing grades Kindergarten through Year 12; 25 elementary schools, 7 middle schools, 5 high schools and one alternative school that serves over 30,000 students. GPSS is accredited by the Western Association of Schools and Colleges.

Contact Information:

Guam Department of Education

P. O. Box DE
Hagatna, Guam 96932
P: (671) 475-0462
F: (671) 472-5003
W: www.gdoe.net

- **Department of Defense Education Activity (DoDEA)** - Shortly after the end of World War II, the United States military established schools for the children of its service men and women stationed in Europe and the Pacific. First administered by the military branches they served, the growing number of schools was soon transferred to civilian managers, then organized into two separate but parallel systems: the Department of Defense Dependents Schools (DoDDS) overseas, and the Department of Defense Domestic Dependent Elementary and Secondary Schools (DDESS) in the United States. In 1994 the two systems were brought together under an umbrella agency, the Department of Defense Education Activity (DoDEA). With 46 schools, about 23,500 students, and some 2,900 employees, the Pacific Area is a great place to live and work.

DoDEA operates 46 schools, with about 23,500 students and 2,900 employees in the Pacific Area. It operates 4 schools in Guam – 1 elementary school, 1 middle school, 1 combined elementary/middle school, and 1 high school.

Contact Information:

Department of Defense Education Activity

Pacific Unit 35007
APO AP 96376-5007
P: (671) 644-5878/79/80
W: www.pac.dodea.edu/aboutus/contacts/ContactSchools.htm

- **Guam's Private Schools** – There are 15 private elementary schools, 12 private middle schools, and 9 private high schools in Guam. A complete listing of Guam schools, including all private schools and colleges, can be found at: en.wikipedia.org/wiki/List_of_schools_in_Guam

- **Guam Community College (GCC)** – Over the past 30 years, the College has grown and diversified its course offerings so that students are able to choose from a variety of career and technical education opportunities that meet the needs of Guam's growing workforce. GCC continues to strengthen and consolidate its programs in line with industry

standards and requirements. Students who complete their program at GCC typically gain employment in their chosen career or choose to transfer to a four-year college or university with advanced standing in professional and technical degree programs. GCC is accredited by the Western Association of Schools and Colleges.

Contact Information:

Guam Community College

P.O. Box 23069 GMF
Barrigada, Guam 96921
P: (671) 735-5531-4
F: (671) 735-0540
W: www.guamcc.net

- **University of Guam (UOG)** - The major institution of higher education in the Western Pacific, UOG serves the communities of Guam, Micronesia and the neighboring regions of the Pacific and Asia. It offers four-year accredited degree courses patterned after school systems in the continental United States. Masters programs are also available in several fields. It provides students with the opportunity to acquire knowledge, skills, attitudes, and abilities through a core curriculum, degree programs, research and outreach. UOG is accredited by the Western Association of Schools and Colleges.

Contact Information:

University of Guam

UOG Station
Mangilao, Guam 96923
P: (671)735-2944
F: (671) 734-2296
W: www.uog.edu



2.6 Healthcare

Guam offers some significant health care advantages to Americans living in Asia. The medical board of physicians in Guam has set standards for practitioners which are similar to those in California. All doctors must be U.S. trained and board eligible to practice on Guam.

Primary and secondary care is available at many clinics throughout the island and at the Guam Memorial Hospital which serves as the anchor for the health care system in Guam.

The U.S. Navy also has a hospital on the island which offers care for active duty and retired military personnel, as well as civilian personnel in emergency situations.

- **Guam Memorial Hospital Authority (GMH)** is the only civilian hospital in Guam. It provides all customary acute care services, and certain specialty services including adult and pediatric medical services, inpatient and outpatient surgery, intensive care (neonatal, pediatric and adult); skilled nursing care; laboratory and blood bank services; radiology, nuclear medicine and CT scan diagnostic services, pharmacy, respiratory care, renal dialysis, physical, occupational, speech, language pathology and recreational therapy, dietetic services and 24-hour emergency services.

GMH also has a catheterization lab, and the capability of tele-radiology for CT scans for discussion of cases with Hawaii physicians. It has 208 beds, 159 acute care beds, 16 bassinets, and 33 long-term beds located in its Skilled Nursing Facility. GMH is not currently accredited (July 2009). Accreditation reviews are conducted by the Centers for Medicare and Medicaid Services (CMMS), formerly known as the Health Care Financing Administration (HCFA).

Contact Information:

Guam Memorial Hospital

850 Gov. Carlos G. Camacho Road
Oka, Tamuning, Guam 96913
P: (671)647-2555 thru 9
F: (671)649-5508
W: www.gmha.org

- **Naval Hospital Guam** - It is comprised of a main hospital in Agana Heights, and two branch clinics, medical and dental, on Naval Base Guam. Naval Hospital's staff consists of 516 Active Duty and 201 civilians, contractors, reservists and volunteers who serve more than 26,000 beneficiaries. In 2008, there were 111,000 outpatient visits, 1,572 inpatients, 428 babies delivered, and 1,100 surgeries performed.

Naval hospital offers a broad range of medical services that include family practice, OB-GYN, pediatrics, general surgery, anesthesia, internal medicine, psychiatry, psychology, occupational health and preventive medicine, emergency medicine, dental surgery, urology, otolaryngology, ophthalmology, optometry, acute care, physical therapy, dietician, health promotions and social work services.

Military members reporting to Guam must enroll themselves and their family members in the TRICARE system within the first two weeks of arrival to obtain TRICARE overseas benefits and a Primary Care Manager, and are reminded to bring all health records and family social security numbers to expedite enrollment. Appointments for all Primary Care clinics can be made by calling Central Appointments at (671) 344-9202. Specialty Care is coordinated through a Primary Care Manager.

Contact Information:

Naval Hospital Guam

Farenholt Avenue, Building K1
Agana Heights, Guam 96919
P: (671) 344-9340
W: www.med.navy.mil/sites/usnhguam

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3. Business Planning



3.1 Introduction

A business plan is a statement of what the business is, how it operates, how it is managed, how it interacts with the marketplace, how it functions financially, and what its strengths and weaknesses are. Through financial and operational projections, the plan describes where the business is going and what is needed for it to get there. It is a planning tool that sets out the goals of the business and the path it needs to follow to get there. It helps the business owner to make appropriate judgments and decisions by forcing consideration of all of the important areas of business operation. In addition, a business plan is almost always required by lenders considering a business loan application.

Also consider who will be reading your business plan, why they are reading your business plan, and the response you hope to generate from them. There will be changes in emphasis in a business plan pitched to a bank, an investor or venture capitalist, or if it is to be used as a management planning tool.

The failure rate for small business is the subject of many myths and half-truths due to the absence of reliable statistical evidence. The most relevant research to date was the US Small Business Administration (Office of Advocacy) Study "Refining Business Success" (2002). It reported that 50% of new establishments with employees survive for at least 5 years, and that 1/3 (one-third) of all businesses close for reasons other than business failure.

The three principal causes of serious business problems or outright failure are: 1) poor initial planning (estimated to be the cause for over 90% of business problems); 2) not enough capital; and 3) lack of prior business or industry experience.

3.2 Sample Business Plan

A sample business plan outline is set out on this page, and the following pages contain detailed descriptions for what is required in each section of the business plan.

SAMPLE BUSINESS PLAN OUTLINE

COVER PAGE & TABLE OF CONTENTS

EXECUTIVE SUMMARY

- Business Summary
- Request for Financing

BUSINESS DESCRIPTION

- History & Business Ownership
- Products/Services Offered
- Mission Statement & Business Goals

INDUSTRY ANALYSIS & MARKETING PLAN

- Market Analysis & Target Markets
- Competitive Analysis
- Products/Services Differentiation
- Key Success Factors
- Marketing Strategy

MANAGEMENT AND OPERATIONS PLAN

- Key officers, Management & Personnel
- Production/Service/Distribution Methods
- Suppliers & Facilities
- Production Methods & Quality Control
- Billing, Collections & Recordkeeping Policies

FINANCIAL PLAN

- Initial Required Funds (start-ups)
- Historical Financials (existing businesses)
- Sources of Finance
- Monthly Operating Costs
- Pricing Strategy & Gross Profit Margin
- Unit Sales Forecast
- Break-even Analysis
- Projected Financial Statements
- Forecasting Assumptions
- Risk Analysis and Alternative Plans of Action

ATTACHMENTS

Usually at the request of a bank:

- Loan application
- Personal financial statement
- Business licenses, permits
- Resumes of key personnel
- Three years personal & business tax returns
- Resumes of key personnel
- Leases, contracts, & building plans
- Business & property insurance
- Personal & business references
- Business ownership documentation (articles, by-laws, etc.)

a.) Cover Page & Table of Contents:

A well-designed cover page and table of contents ensures that readers of your business plan do not waste time searching through your plan for the information they are most interested in. First and foremost, on the cover of your business plan, set out the proposed name of the business venture, the name and contact details of the author, and the date it was completed. Then, if they have any questions while reviewing the plan, they can call you directly to clarify your intentions.

Very few investors will read your plan from front to back. Instead, they will normally jump around looking for the details that they will focus upon in making an investment decision. Keep this in mind when you design your table of contents, and try to make it as easy as possible for readers to find their way around your plan.

b.) Executive Summary: Frequently made up of two separate sections.

Business Summary: The executive summary is potentially the most important section of your business plan. It is normally the first section of your business plan that investors will read, and could be the last if it is poorly written.

A good executive summary is essentially a condensed but powerful summary of your entire business plan. It creates a first impression in your reader's mind of both you and your business. Use clear and concise language - although this applies to your entire business plan, it is especially important in your executive summary, and stick to the facts.

Investors and lenders are searching for evidence that justifies the soundness of your opportunity, and that gets them excited about what you intend to achieve. If your executive summary is clear and concise, you are one step closer to impressing your reader, and on your way to making your business plan the foundation for business success.

If possible, try to present your executive summary on a single page (but 3 pages at a maximum). Focus on the opportunity you are presenting your investor and explain why it is special. Make certain that the opinions and claims in your executive summary are fully supported in the other sections of your business plan. And use concrete facts and figures to explain your business concept, market niche, and financial projections.

Request for Financing (or Investment): It is also highly recommended that you also include the details of the loan or investment you require (the amount you need, what you will spend it on, and the return you offer your investor) in the executive summary.

To undertake any business venture, funding is required. Sources of funding usually come from two places: a lender (debt) and the business owner(s) (equity).

What are the total start-up costs of the business? How much equity will the owners put into the business? How much money does the business need to borrow? What is the purpose of the

borrowing? What are the business and owners offering as collateral to secure the loan and the estimated value of the collateral?

How long will it take the business to repay the debt? What are the requested repayment terms? The projected cash flow forecast should show that the business is generating enough cash to repay monthly principal and interest according to the debt amortization schedule. If there is a cash shortfall, where will cash come from to repay debt?

“A clear cut definition of target markets is a critical part of the marketing plan.”

c.) Business Description

History & Company Ownership: The exact legal name of the business, the legal form of the business, who owns it, and how it was established?

Description & Location of Business Products & Services:

Describe the physical address and general location of the business, and the type of business it is primarily engaged in (wholesale or retail trade, service, manufacturing, agriculture/forestry/fishing, construction, transportation, etc.).

Describe the products and services in enough detail so that it is readily understandable and the reader has the impression that it works or will be ready to go.

Mission Statement & Business Goals: The mission statement is both practical and philosophical. It is extremely important because everything the business does in the future must be consistent and in compliance with its content. It represents the marching orders of the business. The mission statement can include: the purpose for which the company exists; what the company does; the company's goals; quality control policies; its role in the community; ethical practices; profitability; employees; customers; shareholders; and the environment.

Business goals should be set out for the first, second and third year of the business (ideally a one paragraph summary for each year). The goals should be primarily financial (such as an increase in revenues or customers) and be supported by planned management actions (purchase additional equipment, hire additional employees, repay debt). Business goals enable you to measure the performance of your business as it grows, and draw appropriate conclusions on the business strategy used to get there.

d.) Industry Analysis & Marketing Plan

The marketing plan is the critical link between the product/service and customers. Frequently, the marketing plan is the hardest section of the business plan to put together. This section requires extensive research be completed before any financing is contemplated because the financier will want to be sure that there are enough customers willing and able to pur

chase the product/service to repay debt. A clear cut definition of target markets is a critical part of the marketing plan. Much hinges on the reader being convinced that there will be a large enough market for the product/service. High potential business opportunities have a specific market niche for a product/service that meets an important customer need and provides a high value-added benefit to customers.

Market Analysis & Target Markets: What industry is the product/service in? What is the current phase of the life cycle of the industry (starting, emerging, growing, mature, declining)? What is its competitive profile (one, two, several, or many)? What is the size of this industry (\$ volume of sales, unit sales, number of households reached, etc.)? What are the growth trends and the product/service outlook for this industry? What are the profitability characteristics of this industry (high or low margins, high overhead, high capital investment)? What impact will this particular product/service have on the industry?

How large is the target market (number of consumers or businesses)? What are the growth trends and potential for the target market? How are they distributed? Demographic information is usually available from county and city planning offices and census data (this information typically includes the number of persons in age ranges and households, income levels, education levels, etc).

Who buys the product/services and what markets does the business serve?

After completing the industry analysis, the next step is to identify the target markets and customers who are most likely to benefit from and therefore purchase the company's products/services. The 80/20 rule of thumb states that 80% of a company's revenues are generated by 20% of its customers. Therefore, to make the business more profitable and competitive, it is important to try to reach those segments of the target market whose general characteristics indicate a highly probable usage and purchase of the company's products/services.

Competitive Analysis: How many competitors, direct and indirect, are there in the marketplace and what are their competitive characteristics? Where does the business fit in; what market segment niche will be pursued? How will the business gain a competitive advantage over the competition? A competitive matrix is a good way to summarize a competitive analysis.

The relationship of supply and demand will influence both the competitive environment and the marketing plan because high demand coupled with low supply usually indicates fewer competitors and lower marketing costs. For these reasons, you will also need to scan the current environment because new entrants may be drawn to the marketplace, and their presence will change the market and affect the profit and cost dynamics of the providing the product/service.

Conversely, low demand and high supply indicates market saturation and the need for higher marketing costs. In this situation, market share is primarily gained by taking away customers from competitors, and there will usually be a competitive reaction

which must be addressed in the marketing plan.

Product/Services Differentiation: What is different about the business from other competing businesses? Successful businesses provide something that is unique. Ways products/services are differentiated include: higher quality; better customer service; quicker responsiveness; safer/healthier; more attractive; more convenient; and lower cost (and others).

Key Success Factors: What are the particular actions that all companies must do well in order to be competitive? While some of these factors are typically industry specific, others can cover a number of different industries.

Marketing Strategy: What are the specific plans and action steps to be taken to capture customers and market share during the planning period? How and who will sell the product/service? What is the advertising strategy? What will the company do in terms of public relations? It is important that all promotional activities be consistent with the position and image of the business. For example, a fast food restaurant would not advertise in Architectural Digest or cater a black tie charity ball.

“What is different about the business from other competing businesses?”

e.) Management & Operations Plan

This section of the business plan describes how the business will function internally in order to produce, deliver, monitor distribution of its products/services and take appropriate management actions in response to financial and operating results. According to some “one sign of an incompetent entrepreneur is a disdain for the details involved in operating and controlling a business.” Without operating and control systems fully thought through and presented in the business plan, a financier and/or investor will question whether the business can actually realize the goals set out in the business plan.

Key Officers, Management & Personnel: Who will put the business plan into action? The reader (financier) will need to be persuaded that the people running the company have the qualifications to get run the business well. It is recommended that resumes and job descriptions of all key employees in the business be included in the business plan as an appendix.

How many employees will there be over the planning period? What functions will they perform? What are the skills required to fulfill particular job responsibilities? What will their hours be (part-time, shift, etc.)? What will be the pay scale and benefits offered by the company?

Product/Service Distribution Methods: How is the product/service actually produced? Describe the production process. To illustrate the process, consider describing a day in the life of the company from opening to closing. How are products serviced? Do clients come to an office or is the service performed at the customer's site? What are the hours the business is open?

Suppliers & Facilities: What materials are used to produce the product/service and who are the suppliers? Is there more than one source of supply? Are these suppliers reputable and reliable? Do they supply the best quality at the most competitive price?

Describe the physical facilities in which the business will be located. Is location important? Is it owned or leased?

What are the terms (price and term) of the lease? What is the size (square feet) of the building and the age? Is there enough space to accommodate growth? Can the facilities be upgraded or will the business have to move if it grows during the planning period? Are the mechanicals (electric, plumbing, sewer, telecommunications) up to code and sufficient for the intended use? Is it easy to get to, and is there adequate parking?

Production Methods & Quality Control: How will the product actually be produced (describe the production process)? How will consistent quality of product and service delivery be assured? What specific quality control measures will be implemented?

Billing, Collections & Record Keeping Policies: Describe the business credit plan and explain why this plan was chosen. How is credit worthiness determined? Describe billing procedures. Are accounts receivable monitored? How often? When is a receivable considered delinquent? Outline the steps followed from the time an account becomes delinquent until the delinquency is resolved. Are formal collection policies in place? Who is responsible for billing receivables and for collections?

Business owners are responsible for maintaining a universally accepted method of recordkeeping. The system should be simple to use, accurate, timely, and consistent. While it provides important business information to the owner, it must also be in a form that can be reviewed by other stakeholders — business consultants, lenders or government entities, for example. What recordkeeping tools or systems are in place? Identify the types of records kept. Who is responsible for recordkeeping? What is this person's background or experience with recordkeeping?

Does the business contract out professional recordkeeping services? If so, what aspects of business recordkeeping are they required to perform. Describe daily, weekly or monthly recordkeeping routines. Identify financial reports used to measure and monitor the business condition. How often are these reports prepared?

f.) Finance Plan

The financial section of the business plan is the numerical expression of the marketing analysis and operating plans. The financial projections indicate if the business idea is attractive enough to secure. The financial section of the business plan is the numerical expression of the marketing and operating plans. The financial projections will demonstrate whether or not the business idea is attractive enough to secure investments and financing. The thoroughness of the financial plan will assure the reader that the business will be well managed. According to the

SBA, "businesses do not fail for the lack of money as much as for the lack of money management." Entrepreneurs need sound records and good financial management tools to keep track of assets and liabilities. And, they should always know the company's current and future cash positions.

The cash flow projections are the most important section of the finance plan. The need for cash flow planning comes from the time discrepancy that usually exists between the expenditure of funds for inventory, payroll, rent, debt payments and other expenses and the actual receipt of cash from sales. As the saying goes: "profits are great, but cash pays the bills." Cash flow planning is simple in concept, but involves considerable effort to manage. Time is the critical ingredient. A company may have a lot of money coming in the future, but it could become insolvent if cash is paid out in the present. At any time, a negative cash balance must be covered by either equity or debt.

Initial Required Funds: Primarily for new businesses, this is a list of all the assets needed to fund the start-up of the business. This list may include land & buildings, renovation costs, equipment, furniture and fixtures, and vehicles, as well as initial operating costs such as up-front training, beginning inventory, rent and utility deposits, pre-launch marketing expenditures, and working capital (cash to run the business until the business becomes profitable).

Historical Financial Statements: Primarily for existing businesses, attach the past three years of balance sheets, income statements and cash flow statements to the business plan. In this section discuss any relevant trends and variances in: assets, debts and equity; revenues, cost of goods sold (COGS), overhead and net income; cash received, cash paid out and net cash balances. Financiers will use their own software to analyze these statements and use this information to evaluate cash flow projections, break-even analysis, pricing and margins. If there are large unexplained differences between the past and the future, the projections will be discounted and the loan request may be denied or the loan amount reduced.

“ Pricing is the single most important factor affecting profits. ... Pricing is not done in a vacuum - price is typically what a business gets, not what it wants. ”

Sources of Finance: How much will be contributed by the owners of the business (and what is the value of these contributions). This represents your equity contribution, and may include vehicles, renovation equipment or cash. Banks will typically require proof of equity contribution, so remember to retain receipts for your equity contributions.

As a general rule, banks would be seeking an equity contribution by the owners of the business of 20% or greater.

The balance of the funds required to start your business after the owner's equity contribution would typically represent the amount of your loan request.

Monthly Operating Costs: How many employees will you need to run your business, and what is the monthly payroll cost? Have you allowed for the cost of employee social security taxes and workers compensation insurance? Payroll is usually the biggest cost of running a business, hence the expression when times are tough: "making payroll."

Other monthly operating costs include rent, utilities, marketing expenditures, supplies, fuel, maintenance, etc.

Pricing Strategy & Gross Profit Margin: Pricing is the single most important factor affecting profits. Pricing a product/service includes consideration of the following factors: the customer is central to the business; the business operates in a competitive marketplace; pricing is a reflection of the business's position in the marketplace; pricing is the criteria by which consumers evaluate the product/service; and pricing must be adequate to return a profit to the owners and investors. Pricing is not done in a vacuum - price is typically what a business gets, not what it wants. The prices of similar products/services will limit your pricing flexibility. To set prices: (1) determine your floor and ceiling prices; (2) evaluate the price sensitivities of customers; (3) select a strategy; and (4) set the price.

Every business basically generates income by selling a unit of product or service at a selling price in dollars. For example, a service such as an oil change center may sell a service for a flat fee of \$29.95. In this case, sales revenue is calculated as unit sales times the average selling price.

Unit Sales Forecast: The basic approach to sales forecasting is to break your down your sales into its essential driving components, and then forecast a goal for the number of units that you wish to sell. For instance, a cleaning service that sells its services to both commercial and residential customers is dealing with two completely separate income streams. Therefore, you would want to separate commercial customers from residential customers, and develop a unique set of assumptions for each. In this case, you might do the following for residential customers:

Customer Type: Residential

Average hours spent: 4 hours per house per week

Price charged: \$15.00 per hour

Sales amount per house: \$60.00 per week

Sales per house per month: \$240.00

Number of houses cleaned: 10 per month

You would continue this exercise for the remaining months of the first year until you arrive at an annual sales forecast amount. This amount should then be compared to the market research data set out in the market analysis section of the business plan. You will probably need to make adjustments to your forecast once you see the market research data. It is always a

good idea to also compare your sales forecast to a similar operating business. Keep in mind that the market data that you may be comparing your business to is drawn primarily from existing and established businesses. If you are a start-up, therefore, you need to keep this in mind that it may take some time to reach these sales levels. The goal of this exercise is to find a good balance between what the market research data is telling you, what the marketplace is telling you, and the projected goals you have for your business.

Your final sales forecast should be justified by the market research data and reasonable forecast assumptions. Your final sales forecast must also take into account your business goals, your marketing plan and budget, and your business strategy. While this may seem more like goal setting if you are a start-up business, you will soon be generating actual sales data and, over time, become much better at predicting the future.

“ According to the SBA, “businesses do not fail for the lack of money as of cash as much as for the lack of money management.” Entrepreneurs need sound records and financial management to keep track of assets and liabilities. And, they must always know the company's current and projected future cash positions. ”

Break-Even Analysis: How many units must be sold to cover all costs? Break-even analysis pinpoints how changing prices, and/or increasing or decreasing expenses, will affect profitability and unit sales. Break-even analysis tests the feasibility of achieving the level of unit sales necessary to pay for all costs. Break-even is calculated as follows:

- Break-even units = total fixed costs / (unit sales price - unit cost of goods sold)
- Break-even sales revenue = break-even units x selling price, or total fixed costs / gross profit margin percentage

Projected Financial Statements: Prepare monthly cash flow and income statement projections for the next fiscal year. Prepare annual cash flow projections, income statements and balance sheets for the next two years (financial projections should be prepared for a minimum of three years). In particular, the cash flow projection is a critical tool for a new and growing business. It indicates how much cash is needed and when it is needed, so that investing and borrowing needs can be arranged in advance. It is important to understand and arrange for cash infusions in advance because financing and equity may not be available on short notice.

The balance sheet is a statement of assets, liabilities and equity at a specific date. For existing businesses, include a balance sheet from the most current period. For start-up businesses, include an estimated opening (pro forma) balance sheet. Discuss significant balance sheet items.

Forecasting Assumptions: No reader can understand any financial projections without an explanation of the forecasting assumptions behind the numbers. The assumptions need to be written out on a line by line basis, explaining any seasonal variations. If the assumptions are credible, and supported by the market research set out in the marketing plan section, the projections are likely to be accepted as credible by lenders and investors.

Risk Analysis & Alternative Plans of Action: What steps will be taken if some or all of the assumptions in the plan are not realized? There are always differences between a plan and what actually happens in the real world, and a business needs to be flexible and able to quickly adapt to changes in the marketplace. By careful, thorough planning, big surprises can be avoided, but uncontrollable external factors (oil prices rises, typhoons) are always present. How will the company respond if sales drop? What if product costs go up? What if a new competitor unexpectedly enters the market? If consumer preferences change, how can the product/service be adapted to meet these new needs?

Please Note: It is always advisable to have a certified public accountant review your financial statements.

g.) Supporting Documents

Set out below is a list of possible attachments that may be required to support a business plan (usually at the request of a bank):

1. Loan application
2. Personal financial statement
3. Business licenses, permits, etc.
4. Three years personal (and business) tax returns
5. Resumes of key personnel
6. Copies of leases, contracts and building plans
7. Copies of business and property insurance
8. Personal / business references and product/service endorsements
9. Samples of marketing materials
10. Business ownership documentation (articles of incorporation, by-laws, partnership agreement, borrowing resolution, etc.)

3.3 Stages in the Business Life Cycle

	MANAGEMENT	ASSETS	CASH FLOW	PRIORITIES
START-UP	Limited experience, "one-person" operation, undermanaged	Cash poor; absolute minimum fixed assets Under-capitalized	Under-capitalized	Marketing, increasing sales and client base NEED MORE SALES
GROWTH	Competent, but stretched for time	Additional assets needed to support sales	All cash put back into business	Finding resources to support growth NEED MORE RESOURCES
MATURE	Seasoned professionals	Fixed assets, but may need to replace or update	Positive cash flow	Building wealth (Business and personal) NEED TO BUILD WEALTH
DECLINE	Looking to retire, "new blood" needed	Cash heavy; if decline years, no large purchases	Stable or declining	Avoiding risk NEED TO CONSERVE OR TRANSFER WEALTH

SOURCE: GUAM SBDC

3.4 Why Businesses Succeed and Fail

	WHY BUSINESSES SUCCEED	WHY BUSINESSES FAIL
PLANNING	Develop a clear, thoughtful, written business plan before opening.	Starting a business without a business plan.
CAPITAL	Base their plans on realistic expectations of what they can achieve.	Not enough capital - able to survive without income while the business is getting started.
MARKETING	Know how to build strong and enduring business relationships.	Poor marketing – lack of focus in planning and implementing a marketing plan.
COMPETITION	Understanding your strengths and weaknesses relative to your competitors.	Ignoring the competition - their strengths and weaknesses, and their likely response to your entry into the industry
EXPERIENCE	Prior business or industry experience.	Lack of prior business experience - in either running a business or in the target industry.
FINANCES	Identify potential rewards but are also prepared for probable risks.	Poor recordkeeping and financial controls
VISION	Clear sense of purpose - filling a void, serving a need.	Failure to adapt the business plan to changes in the market

SOURCE: GUAM SBDC

Your Partner In Success

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4. Setting Up a Business

After completing a business plan, and hopefully getting approved for a business loan, the next step is to visit the Guam Department of Revenue and Taxation (DRT) to obtain a business license and/or register a business name. Before you apply for a business license, however, there are certain planning steps you need to complete for your company.

4.1 Legal Forms of Business Ownership

To conduct business in Guam, the legal structure of your company is very important. The choice of a company structure is driven by a number of business considerations including the number of business owners, the need for limited liability protection, and taxation. In general, for any form of business ownership other than sole proprietorship, it is recommended that you consult with an attorney with experience in commercial law. A list of commercial law attorneys practicing in Guam is set out at the end of this chapter.

The different legal forms of business ownership are discussed in the following section. Please also refer to the Business Structure Chart at the end of this chapter.

a.) Sole Proprietorships & Simple Partnerships:

A **Sole Proprietorship** is a business with a single owner (but may also include a husband and wife). A **Simple Partnership** (also called a general partnership) can have an unlimited number of owners. The individual owner(s) are legally responsible for the business. Examples of common sole proprietorships and simple partnerships include small and part-time businesses, direct sellers, and consultants.

Advantages:

Ease of Formation: A sole proprietorship is formed by selecting that form of business ownership when you apply for your business license. No separate forms need to be completed. In a simple partnership, the rights and responsibilities of owners can be documented in a relatively simple partnership agreement.

Ease of Tax Compliance: As a sole proprietor, filing your taxes is relatively simple. When you file your individual income tax return (IRS Form 1040), you must include Schedule C setting out your



business income, expenses and net profit as an attachment. Your individual and business incomes are considered the same, but self-employment taxes will apply.

Ease of Financial Management: You are legally required to set up a separate business checking account, and it is recommended that you maintain your business finances separate and apart from your personal finances.

Disadvantages:

Personal Liability: You are personally liable for all debts and actions of the business, and all your personal wealth and assets are linked to the business. This risk, however, can be mitigated by purchasing an appropriate business insurance policy.

Lack of Formal Controls: Because a sole proprietorship doesn't require formal financial statements or financial reports, this can sometimes result in lax accounting controls. Regardless of the legal form of your business, it is recommended that financial statements for your business are prepared and reviewed on a monthly basis.

b.) Limited Partnerships & Limited Liability Partnership

A **Limited Partnership** (LP) is similar to a general partnership, except that in addition to one or more general partners (GP's), there are also one or more limited partners (LP's). The GP's have management control of the LP, and are legally responsible for the conduct of the business. The LP's liability is limited to their

investment in the partnership, but they cannot exercise management control of the LP.

A **Limited Liability Partnership (LLP)** is a partnership in which all of the partners have limited liability. It therefore exhibits elements of both a partnership and a corporation. In an LLP, one partner is not responsible or liable for another partner's misconduct or negligence. This is an important difference from that of a limited partnership.

While the owners in a Limited Liability Partnership (LLP) have limited liability protection, the number of partners is restricted. Partnership agreements and related documentation are also typically more complex with LP's and LLP's. Examples of LLP's include legal and accounting firms with a large number of owners.

c.) Regular Corporation or C Corporation

To form a corporation in Guam, articles of incorporation and by-laws are filed with the Guam Department of Revenue and Taxation (DRT) together with payment of a filing fee. This filing establishes your business as a legal entity on Guam, states the name of the corporation, the purpose for which it is formed, and its principal office location. DRT then issues a Certificate of Incorporation.

Advantages:

Separate Legal Existence: The corporation is distinct from the individuals who own it.

Limited Liability: Individual shareholders are not liable for the liabilities of the corporation. Please note, however, that if it can be proven that the company was negligent, limited liability protection may not hold.

Ownership Readily Transferable: Owners invest in shares of the business, which can be bought and sold.

Stable and Relatively Permanent: Death of a shareholder does not end the business.

Delegated Authority of Management: A board of directors and officers give structure to decision making.

Available Skills and Expertise: Boards of directors usually are made up of members with a wide variety of perspectives, in addition to their interest in the specific corporation.

Disadvantages:

Extensive Government Regulation: Corporations must be registered with the local government and are subject to extensive regulation by both the local and federal government.

Double Taxation: Profits are subject to corporate tax and, if distributed to the stockholders, such dividends are taxable as personal income.

Limited Incentive: If management does not share in the profits, there is typically less incentive for management to perform at a high level.

Expensive to Form and Maintain: Forming a corporation usually requires professional assistance to prepare company documents, and professional tax and legal assistance is typically required throughout the corporation's existence.

Because of the complications involved in the corporate form of ownership, it is highly recommended that individuals seek both professional legal and accounting advice to determine whether or not incorporation is best for your business situation.

d.) S Corporations

An S corporation is simply a regular corporation that makes a valid election to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code. In general, S Corporations do not pay any income taxes. Instead, the corporation's income or losses are divided among and passed through to its shareholders. The shareholders must then report the income or loss on their own individual income tax returns. Please note that shareholders pay the tax regardless of whether the S corporation pays out any money or not.

e.) Limited Liability Companies (LLC's)

A Limited Liability Company (LLC), authorized only in certain jurisdictions, allows for owners and managers to receive limited liability and (usually) tax benefits of an S Corporation without having to conform to the S corporation restrictions.

To form an LLC in Guam, articles of organization and by-laws are filed with the Guam Department of Revenue and Taxation (DRT) along with a filing fee. The articles of organization are similar to articles of incorporation in a regular corporation. DRT then issues a Certificate of Incorporation.

Please refer to Section 4.7 - The Major Forms of Business Ownership Chart - towards the end of this chapter for a comparison of the relative advantages and disadvantages of each.



4.2 Obtaining a Guam Business License

a.) **Where to Go** - To obtain information on requirements for a Guam business license, go to:

Guam Department of Revenue and Taxation
1240 Route 16
Barrigada, Guam 96913
Opening Hours: 7am to 6pm, Monday to Friday
W: www.guamtax.com

Follow the signs to the business licensing department.

b.) **Government Clearances** - You will be required to visit certain other government agencies for specific clearances prior to obtaining a business license. The primary agencies that clearances will be required for include:

- **Guam Tax Clearances (DRT)** - the applicant must clear all outstanding liabilities with DRT.
- **Department of Land Management (DLM)** - To validate that the legal description and location of the primary registered office of the business.
- **Department of Public Works (DPW)** - For approval of any building plan and permits.
- **Department of Health and Social Services (DPHSS)** - For clearances, inspections and certifications relating to businesses offering food services, businesses offering social services (such as day care centers), and others.
- **Guam Fire Department (GFD)** - For clearances, inspections and certifications relating to business compliance with the Guam fire codes.
- **Guam Environmental Protection Agency (EPA)** - responsible for issuing permits and clearance for a variety of activities that have or may potentially have an impact in the island's ground or surface water.

• Other clearances (depending upon individual circumstances) may be required including the Contractor's License Board, the Guam Attorney General, Department of Parks and Recreation, the Cosmetology Board, Guam Police Department (police clearance), Guam Visitors Bureau and the Guam Public School System.

c.) **Documentation Requirements** - Businesses structured as partnerships, corporations, or LLC's will need to submit copies of relevant articles, by-laws, partnership agreements, etc.

Once your business license application has received a stamp signifying clearances from all the relevant government agencies, you will be asked to register your business name, file your business license application, and pay the appropriate business license fee.

d.) **Business License Fees** - For a full list of business license fees and other information on business licensing, please refer:

www.guamtax.com/fees/blb_2007.html

For additional information regarding Guam registration, licensing and taxation requirements, please refer:

www.pacificsbdc.com/PDF/2009/guam-registration-and-taxation-req

For all other information, please call the business license division at (671)635-1835.

e.) **Guam One Stop License / Building Service Center** - Located at the Guam Department of Public Works compound on Marine Corps Drive in Upper Tumon, this is where you can obtain necessary building permits, inspections and clearances needed for most business licenses.

4.3 Obtaining an Employer Identification Number (EIN)

If your business has employees or operates as a partnership or a corporation, it will need to obtain an Employer Identification Number (EIN) from the U.S. Internal Revenue Service (IRS). It is also sometimes referred to as a Federal Tax Identification Number (TIN).

Certain other types of businesses, regardless of their business form, are also required to obtain an EIN. These businesses include those dealing with alcohol, tobacco, firearms, trusts, estates and plan administrators, as well as non-profit organizations.

For more information, including details of how to apply for an EIN, please refer to:

www.irs.gov/businesses/small/article/0,,id=98350,00.html



4.4 Protecting Intellectual Property

Intellectual property is any product of the human intellect that is unique, novel, and unobvious.

If your business idea has some value in the marketplace, you should take steps to protect it. Examples of intellectual property include:

- An idea
- Invention
- Literary work
- Unique name
- Industrial process
- Business Method

There are three primary ways that you can protect intellectual property, as follows:

Copyright – Copyright is a form of protection provided to the authors of “original works of authorship” including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. Copyrights are registered by the Copyright Office of the Library of Congress.

Copyright (and patents) are generally subject to a limited term, whereas a trademark may remain in force indefinitely (provided that it is periodically used and renewal fees are paid).

Please note that it is not necessary to publish or register for copyright to secure copyright protection. Your work is under copyright protection from the moment it is created and fixed in a tangible form that it is perceptible either directly or with the aid of a machine or device. There are, however, certain advantages to registration – and you will have to register for copyright protection if you wish to bring a lawsuit for infringement of a U.S. work. For more information on the use of copyright, visit www.copyright.gov.

Trademark - Any word, combination of words, symbols or device that is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A servicemark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. The terms “trademark” and “mark” are commonly used to refer to both trademarks and servicemarks attached to a product or service.

Trademarks can be one of the most valuable forms of intellectual property (consider Coca Cola and Nike).

Trademark rights may be used to prevent others from using a

confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. The process for registering a trademark is relatively straight forward. For more information on the registration of trademarks, visit United States Patent and Trademark Office (USPTO) at:

www.uspto.gov/web/offices/tac/doc/basic.

If you wish to register a trademark or servicemark solely for the Territory of Guam, you may do so provided that such trademark or servicemark is not being used elsewhere in Guam or the U.S., and not registered with the USPTO (5 GCA, Ch. 20, Art. 4). Guam registration forms and information can be obtained in the Regulatory Division section at: http://www.gov-guamdocs.com/revtax/index_revtax.htm.

Patent - A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office (USPTO). Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States. U.S. patent grants are effective only within the United States, U.S. territories, and U.S. possessions. Under certain circumstances, patent term extensions or adjustments may be available. The right conferred by the patent grant “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention. Once a patent is issued, the patentee must enforce the patent without aid of the USPTO. There are three types of patents:

- 1) Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement of these.
- 2) Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture.
- 3) Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

The preparation of an application for a patent and the conducting of the in the USPTO to obtain a patent requires knowledge of patent law and rules practice and procedures of the USPTO, as well as knowledge of the scientific or technical matters involved in the particular invention. For this reason, it is recommended that inventors employ the services of a registered patent attorney or agent. For more information on the use of patents, visit www.uspto.gov.

4.5 Guam Commercial Law Firms

A list of firms specializing in commercial law can be obtained through the Lawyer Referral Service of the Guam Bar Association at: www.guambar.org

Guam attorneys listed as specializing in commercial law are set out below:

Arriola, Cowan & Arriola Law Firm

259 Martyr Street, Ste. 201
Hagatna, Guam 96910
P: (671) 477-9730
F: (671)477-9734
E: acalaw@teleguam.net

Cabot Mantonona LLP

Edge Bldg, 2nd Floor
929 South Marine Corps Drive
Tamuning, Guam 96913
P: (671) 646-2001
F: (671) 646-0777

Calvo & Clark LLP

655 South Marine Corps Drive, Ste 202
Hagåtña, Guam 96910
P: (671) 646-9355
F: (671)646-9403
W: www.calvoclarck.com

Carlsmith Ball LLP

Suite 401, Bank of Hawaii Building
134 West Soledad Avenue
Hagåtña, Guam 96932
P: (671) 472-6813
F: (671)477-4375

Civille & Tang, PLLC

330 Hernan Cortez Avenue, Ste 200
Hagåtña, Guam 96910
P: (671) 472-8868
F: (671)477-2511

Dooley Roberts & Fowler LLP

Suite 201 Orlean Pacific Plaza
865 South Marine Corps Drive
Tamuning, Guam 96913
P: (671)646-1222
F: (671)646-1223

Ecube, Cynthia V. Law Office

207 Martyr Suite 3
Hagåtña, Guam 96910
P: (671) 472-8889
F: (671)472-8890

Gumataotao, Gary W.F. Law Office

Xerox Bldg, Ste 203
137 Murray Blvd.
Hagåtña, Guam 96910
P: (671) 475-0200
F: (671) 475-0203
C: (671) 727-2448

Law Offices of Jacques G. Bronze P.C.

W. Harmon Industrial Park Rd., Unit A151
Tamuning, Guam 96913
P: (671)649-2392
F: (671)649-2394

Lujan, Aguigui & Perez, LLP

Suite 300, Pacific News Building
Hagåtña, Guam 96910
P: (671) 477-8064
F: (671)477-5297

Teker Torres & Teker, P.C.

130 Aspinall Avenue, Ste 2A
Hagåtña, Guam 96910
P: (671) 477-9891
F: (671)472-2601
E: l.teker@tttguamlawyers.com

Thomas McKee Tarpley Law Firm

GCIC Building
414 West Soledad Avenue, Suite 904
Hagåtña, Guam 96910
P: (671)472-1539
F: (671)472-4526
E: ttarpley@guam.net

Unpingco & Associates, LLC

Sinajana Mall
777 Route 4, Ste 12B
Sinajana, Guam 96910
P: (671)475-8545
F: (671)475-8550
E: info@ualawguam.com
W: www.ualawguam.com

Source: www.guamphonebook.com

4.6 Comparison of the Major Forms of Business Ownership

FEATURE	SOLE PROPRIETORSHIP	PARTNERSHIP	C CORPORATION	S CORPORATION	LIMITED LIABILITY COMPANY
Owner's personal liability	Unlimited	Unlimited for general partners. Limited for limited partners.	Liability limited to the assets of the business entity	Liability limited to the assets of the business entity	Liability limited to the assets of the business entity
Number of owners	1	2 or more (at least 1 general partner required)	No restrictions	Maximum of 100 (with restrictions on who they are)	2 or more
Tax Liability	Single tax: Proprietor pays at individual rate	Single tax: Partners pay tax on their proportional shares at individual rate	Double tax: corporation pays tax and shareholders pay tax on dividends distributed	Single tax: Owners pay on their proportional shares at individual rate	Single tax: Members pay on their proportional shares at individual rate
Transferability of ownership	Fully transferable through sale or transfer of company assets	May require consent of all partners	Fully transferable	Transferable (but transfer may affect S status)	Usually requires consent of all members
Continuity of business	Ends on death or disability of proprietor or upon termination by proprietor	Dissolves upon death, disability, or retirement of a general partner (business may continue)	Business continues	Business continues	Business continues
Comments	Low legal compliance; insurance can be purchased to offset unlimited liability	Low legal compliance; insurance can be purchased to offset unlimited liability	Preferred form for public companies (many owners, frequent changes); need to manage to limit double taxation; subject to complex corp. law	Flexible; liability protection of corporation; relatively high legal compliance; subject to complex corporations law	Flexible; liability protection of corporation; relatively high legal compliance and costs (\$1,000 per year); subject to complex corporations law

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DMJM

Phone: (671) 472-6918
Fax: (671) 477-5278

SelectCare

Phone: (671) 477-9808
Fax: (671) 477-4141

SANFAN

Phone: (670) 234-5690/9
Fax: (670) 234-5693

PNLAW

Phone: (680) 488-7222
Fax: (680) 488-7333



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5. Business Taxation in Guam

5.1. Guam Tax Structure

The U.S. Congress created the Territorial Government of Guam as a separate taxing jurisdiction by the enactment of the Organic Act of Guam in 1950. Section 31 of the Act provides that the income tax laws in force in the United States shall be the income tax laws of Guam, substituting Guam for the United States where necessary and omitting any inapplicable or incompatible provisions. The U.S. Internal Revenue Code with such changes constitutes the Guam Territorial Income Tax Law.

5.2. Gross Receipts Tax (GRT)

- a.) All businesses operating predominately in Guam are required to have an appropriate Guam Business License, and to register for a GRT number.
- b.) All sales by your business are subject to GRT;
- c.) All businesses with sales over \$500,000 per year must file monthly GRT reports and pay 4% GRT on all sales to the Treasurer of Guam.
- d.) All businesses with sales less than or equal to \$500,000 per year must file monthly GRT reports and pay 4% GRT on all sales over \$50,000 to the Treasurer of Guam.
- e.) Businesses with sales of less than \$50,000 per year must file monthly GRT reports but are exempt from paying the tax on the first \$40,000 of sales during the most recent tax year.
- f.) GRT report filings and payments must be made monthly, no later than the 20th of the month after the month that the revenues/receipts are generated.
- g.) Wholesalers and certain other taxpayer groups are exempt from GRT, or entitled to rebates. Please refer to Section 7 (Business Incen-

tives) below, or seek additional information from the Director of Revenue and Taxation.

5.3 Individual, Payroll, or Personal Income Tax

- a.) Individuals who are citizens or residents of Guam are required to report their income from all sources when computing their Guam taxes. Their income taxes must be paid into the Treasury of Guam. Non-residents, except those who acquired their U.S. citizenship through the Organic Act, or through naturalization proceedings in the District Court of Guam, incur income tax liability to Guam only on income derived from Guam sources. Self-employed individuals must file Schedule C with their individual income tax return Form 1040. A U.S. citizen who is a resident of Guam at the last day of the taxable year (usually December 31) will be required to file an individual income tax return in Guam reporting his or her worldwide income. In such case the U.S. Internal Revenue Code provides that no separate return needs to be filed with the U.S. Internal Revenue Service.
- b.) Individual income is progressively taxed at marginal rates ranging from 10% to 35% depending on the employee's pay level. These taxes are withheld from an employee's wages by the employer. The employer holds these taxes until it is time to deposit them with either the Guam or federal government. Guam individual tax rates are the same as those in the U.S. Internal Revenue Code.
- c.) Individual income tax returns for the calendar year are due on or before April 15 of the following year. Individuals reporting on a fiscal year basis must file their returns on the 15th day of the fourth month following the close of the fiscal year. When the due date for filing a return or paying taxes falls on a Saturday, Sunday, or legal holiday, you may file and/or pay on the next business day.
- d.) All businesses must file an Employer's Quarterly Tax Return reporting the wages of their employees. Other related forms and payments must be filed and paid to the Treasurer of Guam on a quarterly basis no later than the 10th day of the month following the end of the quarter (i.e. April 10, July 10, October 10, and January 10).
- e.) All employers must maintain on file Form W-4, Employee's Withholding Allowance Certificate for each employee. Employers are urged to advise employees to update their Form W-4, especially if they owed taxes or received a large tax refund in the previous year. To help them determine the appropriate withholding amount to update Form W-4, employees can use the Withholding Calculator by following the links at www.irs.gov/individuals.

5.4. Social Security Taxes (also known as "FICA taxes")

- a.) Social Security payroll taxes are collected under authority of the Federal Insurance Contributions Act (FICA). These payroll taxes are sometimes called "FICA taxes".
- b.) Social security taxes are withheld by the employer and paid to the federal government;
- c.) It is levied on all employee wages, defined to include all remuneration whether in cash or other forms, such as salaries, vacation allowances, bonuses, and commissions.
- d.) It is paid by both the employee and employer. The employee's income is taxed 7.65% for social security purposes, and the employer also pays 7.65% for, for a total of 15.3% (up to \$90,000 in employee income, when it decreases to 1.45% for each of employee and employer).
- e.) For individuals who are self employed, they are deemed to be both the employee and employer. The social security tax is therefore a total of 15.3% (up to \$90,000 in individual income, when it decreases to a



total of 2.9%).

f.) Please note that social security taxes include 1.45% from each of employee and employer for Medicare taxes.

g.) To calculate how much to withhold from each wage payment, use the employee's W-4 form and the methods described in Publication 15 - Employer's Tax Guide and Publication 15A - Employer's Supplemental Tax Guide. Additional information on employment taxes can be found by following the links at www.irs.gov/businesses.

h.) Report federal income taxes and social security taxes on Form 941, Employer's Quarterly Federal Tax Return and/or Form 943, Employer's Quarterly Federal Tax Return for Agricultural Employees.

5.5 Corporations Tax

a.) Guam corporations are subject to income tax on their income from all sources. Other corporations doing business on Guam incur income tax liabilities to Guam on all Guam source income. Corporations not engaged in business on Guam are liable to a 30% tax on certain types of income from Guam sources. The tax rates for corporations doing business in Guam ranges from 15% to 35%. More information at www.irs.gov/businesses/corporations.

b.) Guam corporations are required to file an income tax return for the calendar year on or before March 15 of the following year. Corporations operating on a different fiscal year must file an income tax return on or before the 15th day of the third month following the end of the fiscal year.

c.) Rebates are available to some taxpayer groups. Please refer to Section 7 (Business Incentives) below, obtain professional legal and accounting advice on these matters, and/or seek additional information from the Director of Revenue and Taxation.

5.6 Real Property Tax

a.) The Assessment Value (or base) for the calculation of Real Property Tax is 90% of the appraised value of land and buildings.

b.) Land - Real Property Tax is calculated at 0.097% of the Assessment Value of land.

c.) Buildings - Real Property Tax is calculated at 0.39% of the Assessment Value of buildings.

d.) Real Property Tax shall be paid to the Treasurer of Guam on or before February 20 for the previous calendar year (or in two equal installments on or before February 20 and April 20).

e.) Rebates are available to some taxpayer groups. Please refer to Section 7 (Business Incentives) below, seek additional information from the Director of Revenue and Taxation, and professional legal and accounting

advice on these matters.

5.7 Other Taxes or Duties (depending on the nature of the business)

a.) Alcoholic Beverage Tax - \$10 per gallon on distilled beverages (e.g. whiskey); \$2.75 per gallon on wine; \$0.04 per 12 fluid ounces on malted fermented beverages e.g. beer).

b.) Tobacco Tax - \$0.35 for every 100 cigarettes; 10% of the landed cost of cigars; \$0.35 per pound for all other tobacco.

c.) Gasoline Tax - please contact the Department of Revenue and Taxation for details

d.) Use Tax at 4.0% (goods shipped to Guam for private use).

e.) Admissions, amusement, recreational facilities—please contact the Department of Revenue and Taxation for details.

f.) Hotel Occupancy Tax - 11.0% of hotel room charges.

5.8 Additional Tax Information

For more information on any of the matters listed above, or other questions related to the Guam Tax Code, please refer to the Guam Department of Revenue and Taxation (DRT) website at www.guamtax.com.

Another good source for licensing and taxation compliance requirements, as well as E-file and E-pay options, is found in a presentation by DRT to the 2007 Guam Industry Forum, located at:

www.pacificsbdc.com/PDF/2009/tr5-govguam-doing-business-on-guam.pdf

For filing documents, information, and fees related to the Guam Tax Code, please refer to http://www.govguamdocs.com/revtax/index_revtax.htm.



5.9 Guam Tax Calendar (due dates)

January

15th Individuals - Estimated Tax 4th Quarter
20th GRT - Previous month
31st Employers Quarterly W/H Tax Return (W-1) for 4th Quarter
31st SWICA - 4th Quarter

April

15th Individuals - Estimated Tax 1st Quarter
15th Individuals - Returns / Extensions
20th GRT - Previous month
20th 2nd Installment - Real Property Tax
31st Employers Quarterly W/H Tax Return (W-1) for 1st Quarter
31st SWICA - 1st Quarter

July

15th Individuals - Estimated Tax 2nd Quarter
15th Tape Due to IRS of Filers
20th GRT - Previous month
31st Employers Quarterly W/H Tax Return (W-1) for 2nd Quarter
31st SWICA - 2nd Quarter

October

15th Individuals - Estimated Tax 3rd Quarter
20th GRT - Previous month
31st Employers Quarterly W/H Tax Return (W-1) for 3rd Quarter
31st SWICA - 3rd Quarter

February

20th GRT - Previous month
20th 1st Installment - Real Property Tax
28th W2GU - Employers
28th 1099 - Financial Institutions

May

15th GRT - Non-profits Annual Financial Statement
20th GRT - Previous month

August

15th Individuals - Extension Required
20th GRT - Previous month

November

20th GRT - Previous month

March

15th Corporations Return
20th GRT - Previous month

June

15th Individual Returns Off-Island
20th GRT - Previous month

September

20th GRT - Previous month

December

20th GRT - Previous month

Source: Guam Department of Revenue and Taxation

Recent changes to Guam tax laws can be found at www.guamtax.com/info/regulations.html.

However, because Guam laws are frequently being enacted and amended, it is highly recommended that applicable laws be thoroughly researched and professional legal and accounting advice be sought before reliance is placed on a particular statute.

For information on any of the laws of Guam as they relate to the Guam Tax Code, please refer to the free, searchable database provided by the

Unified Courts of Guam at <http://www.guamcourts.org/justicedocs/index.html>

For information on the U.S. Tax Code, please refer to www.irs.gov.

For information on business tax incentives related to the formation of a Foreign Sales Corporation (FSC) in Guam, which may qualify for certain exemptions or rebates of income, real property, gross receipts and use taxes, please refer to Section 7.5 (Foreign Sales Corporations) below.

5.10 Guam Accounting & Bookkeeping Firms

A.B. Pangelinan Bookkeeping

254 Salisbury Street
Dededo, Guam 96929
P: (671)637-8243

A.T. Tomada & Associates

505 Harmon Loop Road, Suite 200
Dededo, Guam 96929
P: (671)637-9091
F: (671)637-9702
E: office@attomada.com

Abaca Pacific

1779 Renato Silvestre Bldg.
Suite 105, Route 16 Army Drive
Dededo, Guam 96929
P: (671)646-4993/9484
F: (671)646-4971
E: abacapacific@guam.net

Acierto, Renaldo C.

Marine Corps Drive
Yigo, Guam 96929
P: (671)653-0988

BD's Bookkeeping Service

130 Aspinall Avenue
Hagåtña, Guam 96932
P: (671)477-9392/93
F: (671)477-9394

Bubu Office

545 Chalan San Antonio Rd.
Tamuning, Guam 96913
P: (671)649-3611
F: (671)649-3411

Burger & Comer, P.C.

278 South Marine Drive,
Suite 104
Tamuning, Guam 96913
P: (671)646-5044
F: (671)646-5045

Clover Accounting Office

185 Ilipog Avenue
Tamuning, Guam 96913
P: (671)649-4974

Deloitte & Touche LLP

361 South Marine Drive
Tamuning, Guam 96913
P: (671)646-3884

DL Bookkeeping Services

Manhattan Plaza 2
Harmon Suite 206
P: (671)649-2155
F: (671)649-2156

Dominic & Associates Inc.

816 Marine Corps Dr.,
Suite 106-107
Eva Bldg, Upper Tumon
P: (671)649-0644/5
F: (671)649-0633

Ernst & Young LLP

231 Ypao Road
Upao Business Center, Suite 201
Tamuning, Guam 96913
P: (671)649-3700
W: www.ey.com

Express Business Service, LLC

JRV Plaza Bldg, 2nd Floor
Harmon, Guam 96929
P: (671)633-4327
F: (671) 635-4327
E: jdc@ebsguam.com
W: www.ebsguam.com

Galang, Mario Y, CPA

C: (671)727-3382
P: (671)649-3003
F: (671)649-3006
E: galang_mario@yahoo.com

Grant Thorton

790 South Marine Corps Drive
Tamuning, Guam 96913
P: (671)649-3803/06
F: (671)649-3890
W: www.gtguam.com

H&R Block

655 Harmon Loop Rd. Suite 104
Dededo, Guam 96929
P: (671)637-0376
F: (671)637-0359

J. Scott Magliari & Associates

2nd Floor, Suite 207 Reflection
Center
Hagåtña, Guam 96910
P: (671)472-2680
F: (671)477-2686

J.T. Blas Income Tax Service

P.O. Box 326103
Hagåtña, Guam 96932
P: (671)477-2126
F: (671)477-2126

Kim, George P.G., CPA PC

DNA Building Suite 701
238 Archbishop Flores Street
Hagåtña, Guam 96932
P: (671)477-9685
F: (671)477-6005
E: kimcpa@guam.net

Lisheng Xing, CP

272 Calle Angel Flores Street
Hagtana, Guam 96910
P: (671) 472-4545

MSN Bookkeeping Services

P. O. Box EZ
Hagåtña, Guam 96932
P: (671)734-3627
F: (671)434-3630
E: e.michaela@msnbookkeeping.com
W: msnbookkeeping.com

New Mijoo Park Office

388 South Marine Corps Drive
Pacific Isla Place, Suite 102
Tamuning, Guam 96913
P: (671)646-1325
F: (671)647-1211

Pacific Accounting Services

207 Oka Plaza
202 Farenholt Avenue
Tamuning, Guam 96913
P: (671)646-7279
F: (671)649-2465

Park's Office

124 Star Building Upper Tumon,
Marine Corps Drive
Tamuning, Guam 96913
P: (671)649-8141
F: (671)649-9475

Saludo Enterprises Tax & Bookkeeping Services

NRS Sangalang, Room 201,
Army Drive (Route 16), Harmon
Tamuning, Guam 96913
C: (671)727-5043
P: (671)637-6460

Sardoma, Pelagio, CPA

Jll Building/Johndel
Dededo, Guam
P: (671)632-4823

Skey's Bookkeeping Services

P.O. Box 169
Hagåtña, Guam 96932
P: (671)649-7705

Steffy, Robert, CPA

210 A.B. Flores Street
Hagåtña, Guam 96910
P: (671)477-7829

Tomita, Michael S, CPA, PC

Pacific News Building
Hagåtña, Guam 96910
P: (671)477-9685
F: (671)477-6005

Viray, Clarito C.

P: (671)633-4778
E: clarito_viray@yahoo.com

VMA Bookkeeping Services

P.O. Box 26585 GMF
Barrigada, Guam 96921
P/F: (671)632-1200

Wiggs, Gary R, CPA

521 E.Harmon Industrial Park
Harmon, Guam 96913
P: (671) 647-5150

Wilson, Stanley C

16 East Malate Street Hyundai
Mongmong, Guam 96910
P: (671)477-7440

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www.guamphonebook.com

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6. Sources of Business Finance

6.1 Federal Deposit Insurance Corporation (FDIC) Banking Institutions

Bank of Guam

Hagåtña Branch	P: (671) 472-5300
Tamuning Branch	P: (671) 647-2604
Tumon Branch	P: (671) 647-9132
Upper Tumon Branch	P: (671) 647-9145
Harmon Branch	P: (671) 635-2401
Dededo Branch (Pay-Less Market)	P: (671) 637-7821
Yigo Branch	P: (671) 653-4824
Andersen Air Force Base Branch	P: (671) 653-8371
Mangilao Branch	P: (671) 734-0265
Naval Station Branch	P: (671) 564-2937
Malesso Branch	P: (671) 828-2646
Mobile/Santa Cruz Branch	P: (671) 477-7406
W: www.bankofguam.com	

Bank of Hawaii

Hagåtña	P: (671) 479-3500
Harmon	P: (671) 479-3500
Tamuning	P: (671) 479-3500
Oka Branch (Pay-Less Market)	P: (671) 479-3500
Micronesian Mall Branch (Pay-Less Market)	P: (671) 479-3500
Yigo Branch (Pay-Less Market)	P: (671) 479-3500
W: www.boh.com	

BankPacific

Agat Branch	P: (671) 565-3592
Hagåtña Branch	P: (671) 472-6704
Tamuning Branch	P: (671) 646-7700
Dededo Branch	P: (671) 632-1700
W: www.bankpacific.com	

Citibank

East Hagåtña Branch	P: (671) 477-2484
W: www.citibank.com.gu	

Citizens Security Bank-ANZ

Hagåtña Branch	P: (671) 479-9000
Dededo Branch	P: (671) 635-5204
Harmon Branch	P: (671) 646-0881
Tamuning Branch	P: (671) 642-3131
W: www.anz.com/guam	



First Hawaiian Bank

Maitte Branch	P: (671) 475-7900
Dededo Branch	P: (671) 632-9381
Tamuning Branch	P: (671) 646-7841
W: www.fhb.com	

Oceanic Bank

Dededo, Branch (Micronesia Mall)	P: (671) 637-1037-42
W: www.alliedbank.com.ph/insidesection.php?level=2&secid=94&secpid=2	

Finance Factors

Tamuning Branch	P: (671) 649-5751
W: www.financefactors.com/	

More information on the Federal Deposit Insurance Corporation (FDIC) at www.fdic.gov/.

6.2 National Credit Union Share Insurance Fund (NCUSIF) Insured Credit Unions

Community First Federal Credit Union

Hagåtña Branch	P: (671) 472-8210
W: www.communityfirstfcu.com	

Government of Guam Employees Federal Credit Union

Hagåtña Branch	P: (671) 477-8736
W: www.ggefcu.com	

More information on National Credit Union Administration (NCUA) and the National Credit Union Share Insurance Fund (NCUSIF) at www.ncua.gov.



6.3 US SBA Lender Relationships

INSTITUTION	CONTACT	US SBA RELATIONSHIP
Bank of Guam W: www.bankofguam.com	P: (671) 472-5300	R, EX, CX
Bank of Hawaii W: www.boh.com	P: (671) 479-3500	R, P, EX, PX
BankPacific W: www.bankpacific.com	P: (671) 472-6704	R, EX, PX
Citibank, N.A. W: www.citibank.com.gu	P: (671) 477-2484	R, P, CX
Citizens Security Bank-ANZ W: www.anz.com/guam	P: (671) 479-9000	R, P, EX, CX, PX
Community First Guam Federal Credit Union W: www.communityfirstfcu.com	P: (671) 472-8210	R
First Hawaiian Bank W: www.fhb.com	P: (671) 475-7900	R, P, EX, PX
Government of Guam Employees Federal Credit Union W: www.ggefuc.com	P: (671) 477-8736	R

KEY

R = Regular SBA Loans
EX = SBA Express Loans
PX = SBA Patriot Express Loans

P = Preferred Lending Partner
CX = SBA Community Express Loans

More information on US SBA lender relationships at:
http://www.sba.gov/idc/groups/public/documents/hi_hawaii/hi_lenders_06-09.pdf

6.4 Alternative Financing Sources

a.) Pacific Islands Development Bank (PIDB)

The Pacific Islands Development Bank (PIDB) was established in July of 1989 to help accelerate economic and social development of member countries. The bank's original membership was extended to all the members of the Association of Pacific Islands Legislatures (APIL). To date, seven countries/states have ratified the "Articles of Agreement Establishing the Pacific Islands Development Bank". They include the Island of Guam, Republic of Palau, the FSM States of Chuuk, Kosrae, Pohnpei, and Yap, and the Commonwealth of the Northern Mariana Islands.

PIDB helps foster sustainable economic and social development in the member countries through its lending program and operation, technical assistance, business advise and counseling, scholarship and internship program, and collaboration with regional governments and organizations. These programs run the gamut from promoting poverty reduction and improving standards of living to providing support for productive economic activities such as agriculture, fisheries, and small business.

Contact Information:
Pacific Islands Development Bank
GCIC Building
414 West Soledad Avenue
Hagåtña, Guam 96910
P: (671) 477-0047
W: www.pacificidb.com



b.) Guam Economic Development Authority (GEDA) Loan Programs

GEDA currently administers three economic development loan programs:

Guam Development Fund Act (GDFA) -

This loan program was created in 1968 by a direct appropriation of \$6 million from U.S. Congress. The purpose of the GDFA is to provide financial assistance through loans and loan guarantees to private enterprises and industries to promote the economic development of Guam. It targets agricultural, fishing, manufacturing, tourism and related businesses, and provides financing for fixed assets, working capital, supplies and inventory.

Agricultural Development Fund (ADF)

—In 1988, Guam Public Law 19-19, Section 12, appropriated \$96,000 to fund this program, a joint project of the Department of Agriculture and the UOG College of Agriculture and Life Sciences. GEDA is responsible for the program's administration, financial and business management, and marketing activities. It aims to promote the development of locally produced agricultural products, targets commercial agriculture, aquaculture, and horticulture and related businesses, and provides financing for working capital and the purchase of supplies and inventory. In December 2003, the GEDA Board of Directors restricted this program to farmers and fishermen only.

Micro Loan Program (MLP) – This loan program was established by GEDA using GDFA funds. It provides financial assistance to support the establishment, stabilization and expansion of “micro” businesses that demonstrate the potential for job creation. Minority, women-owned and low to moderate-income businesses are encouraged to apply. This program targets wholesale, retail, food & beverage, service, home-based, recreation, medical services, transportation, manufacturing and franchise businesses

Contact Information:

Guam Economic Development Authority

590 South Marine Corps Drive

Tamuning, Guam 96913

P: 647-4332

F: 649-4146

W: www.investguam.com

c.) Pacific Islands Microcredit Institute (PIMI)

Located at the Guam Small Business Development Center at the University of Guam, this program is funded by the Bank of Guam (BOG).

It serves people living in low to moderate income areas, people at or below the poverty level, and people with disabilities (based on HUD standards and requirements).



Specifications:

- Graduated loans in amounts from \$100 up to \$15,000
- Interest Rate: 12% Simple (50% of interest goes to personal savings)
- Collateral not required
- Good Credit not required
- Peer Group Lending (co-signers required)

Eligibility Requirements:

- 18 yrs or older
- Meet GHURA Low to Moderate Income Limits (per household)
- 1 Person @ \$26,460 to 8 Persons @ \$49,920 maximum
- Applicants above the Low to Moderate Income Limits are eligible pending availability of loan funds and meeting all other requirements
- Complete a Business Plan that is accepted by PIMI and Peer Group
- Membership in Peer Group

Process:

- An application is completed and submitted to PIMI Executive Director.
- Upon qualification, applicant attends micro-business training programs at the Guam SBDC.
- Upon completion of a feasible business plan, participant graduates from the Guam SBDC micro-business training program.
- Participant then joins a peer group; Each peer group is assigned a mentor and they meet every two (2) weeks;
- Peer group decides who gets the first loan (all loans are personally guaranteed by each peer group member); and
- Borrower makes loan payments every two weeks.

Contact information:

Pacific Islands Microcredit Institute

Denise Mendiola Hertslet

PIMI Executive Director

P: 735-2594

E: denise@pacificsbdc.com

7. Business Incentives



7.1 U.S. Small Business Administration (SBA) Programs

Several institutions have been recognized by the U.S. Small Business Administration (SBA) as SBA Lenders of the Year for their proactive work in lending to small companies. In Guam, Citizens Security Bank-ANZ received the honor for 2007 and 2008, and Bank of Hawaii held the distinction for the previous two years. A full list of SBA approved lenders is provided in Section 6 of this guide.

a) Overview of SBA Loan Programs

The U.S. Small Business Administration (SBA) is a federal agency that serves as the largest source of long-term financing in the nation. The agency also offers a wide range of on-line publications for small business, assistance with federal contracting opportunities, counseling networks, and many other useful programs for eligible small businesses.

The SBA has a branch office on Guam located on the third floor of the First Hawaiian Bank building in the village of Maite. You can also visit SBA's user friendly website where you can source all the agency's loan guidelines, publications, and self help materials. To best determine and meet your financing needs, it is a good idea to first review SBA's financing information. The next step would be to visit your banker, possibly one of the active SBA lenders listed in this guide. Prior to visiting any financial institution, however, you need to know the type of company you wish to start, and have full docu-

mentation related to your financial condition. In most cases, this would also include a business plan.

Contact Information:

U.S. SBA – Guam Branch

400 Route 8, Ste. 302

Hagatna, Guam 96910

P: (671) 472-7419

W: www.sba.gov

b) General SBA 7(a) Loan Program

The Basic SBA 7(a) Loan Program - 7(a) loans are the most basic and most used type of loan among all of SBA's business loan programs. Its name comes from section 7(a) of the Small Business Act, which authorizes the SBA to provide business loans to American small businesses.

Please note that all SBA Loan Programs are disbursed and administered by commercial banks and credit unions that maintain either a preferred lender relationship with SBA or are specifically

authorized to provide a loan with SBA support.

The lender decides if they will make the loan internally or, if the application has some weaknesses, will require an SBA guaranty for the loan to be made. The guaranty which SBA provides is only available to the lender. It assures the lender that in the event the borrower does not repay their obligation and a payment default occurs, the Government will reimburse the lender for its loss up to the percentage of SBA's guaranty. Under this program, the borrower will continue to remain obligated for the full amount of the loan.

A key concept of the 7(a) guaranty loan program is that the loan actually comes from a commercial lender, not the Government. If the lender is not willing to provide the loan, even if they may be able to obtain an SBA guaranty, the Agency cannot force the lender to change its mind. Neither can SBA make the loan by itself because the Agency does not have any money to lend. It is paramount, therefore, that all applicants approach a commercial lender positively for a loan, and that they know the lenders criteria and requirements as well as those of the SBA. In order to obtain positive consideration for an SBA supported loan, the applicant must be both eligible and creditworthy.

How You Can Use Your SBA Loan - You can use a 7(a) loan to: expand or renovate facilities; purchase machinery, equipment, fixtures and leasehold improvements; finance receivables and augment working capital; refinance existing debt with compelling reason; finance seasonal lines of credit; construct commercial buildings; and/or purchase land or buildings.

Terms, Interest Rates and Fees - The length of time for repayment depends on the use of the proceeds and the ability of your business to repay: usually five to 10 years for working capital, and up to 25 years for fixed assets such as the purchase or major renovation of real estate or purchase of equipment (not to exceed the useful life of the equipment). Variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate for loans with maturities of less than seven years and up to 2.75 percent for seven years or longer. For loans under \$50,000, rates may be slightly higher.

Collateral - You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required. However, in most cases a loan will not be declined where insufficient collateral is the only unfavorable factor.

Eligibility - Your business generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous three years. Loans cannot be made to businesses engaged in speculation or investment.

c) SBA Express

SBA Express is available for loans up to \$350,000. The program authorizes SBA preferred lenders to use mostly their own forms, analyses and procedures to process, service and liquidate SBA guaranteed loans. The SBA guarantees 50 percent of an SBA Express loan. Loans under \$25,000 do not require collateral. Like most 7(a) loans, maturities are usually five to seven years for working capital, and up to 25 years for real estate or equipment. Revolving lines of credit are allowed for a maximum of seven years.

d) SBA Community Express

The SBA Community Express Loan Program is available in certain geographic areas serving mostly low and moderate income populations (such as Guam) and to women, minorities, and/or veterans. The program is structured to ensure that borrowers receive appropriate pre-loan and post-loan-closing management and technical assistance, arranged or provided by the Lender, which is designed to both help increase lending to these groups and to increase the loan applicant's chances of success. Participating lenders in Guam have contracted with the Guam Small Business Development Center (SBDC) to provide this technical assistance.

SBA and its participating lenders provide start-up and expansion capital that receives a 75% or 85% guaranty from the SBA. The application requires minimal paperwork. The loan term is typically up to 7 years with no prepayment penalty. Loan amounts range from \$5,000 to a maximum of \$250,000. Lenders are not required to take collateral for loans up to \$25,000. Lenders may use their existing collateral policy for loans over \$25,000 up to \$150,000. For loans greater than \$150,000, lenders are required to follow SBA's general collateral policy.

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime

Rate. Interest rates may be fixed or variable. Fixed rate loans of \$50,000 or more must not exceed Prime Plus 2.25 percent if the maturity is 7 years or more. For loans between \$25,000 and \$50,000, maximum rates must not exceed Prime Plus 3.25 percent if the maturity is less than 7 years, and Prime Plus 3.75 percent if the maturity is 7 years or more. For loans of \$25,000 or less, the maximum interest rate must not exceed Prime Plus 4.25 percent if the maturity is less than 7 years, and Prime Plus 4.75 percent, if the maturity is 7 years or more.

The program requires that the small business owners, partners and/or principals must be of good character and have good credit. Loan proceeds must be used exclusively for business-related purposes. The vast majority of businesses are eligible for financial assistance from the SBA.

However, applicant businesses must operate for profit; be engaged in, or propose to do business in, the United States or its possessions; have reasonable owner equity to invest; and use all alternative financial resources first including personal assets. Businesses that may be ineligible for this loan program include those engaged in illegal activities, loan packaging, speculation, multi sales distribution, gambling, investment or lending, or when the owner is on parole.

e) SBA Patriot Express

The U.S. Small Business Administration has announced the SBA's Patriot Express Pilot Loan Initiative for veterans and members of the military community wanting to establish or expand small businesses. Eligible military community members include:

- Veterans;
- Service-disabled veterans;
- Active-duty service members eligible for the military's Transition Assistance Program;
- Reservists and National Guard members;
- Current spouses of any of the above;
- The widowed spouse of a service member or veteran who died during service or of a service-connected disability; and The SBA and its resource partners are focusing additional efforts on counseling and training to augment this loan initiative.

The new Patriot Express loan is offered by SBA's network of participating lenders nationwide and features our fastest turnaround time for loan approvals. Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans over \$150,000 up to \$500,000. For loans above \$350,000, lenders are required to take all available collateral.

The Patriot Express loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases.

Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan. Your local SBA district office will have a listing of Patriot Express lenders in your area.

f) SBA CDC/504 Loan Program

The CDC/504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company (CDC) is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. The Hawaii Economic Development Corporation (HEDCO) is the only authorized CDC to participate in the making of 504 loans with Guam's lending community.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

Maximum Debenture: The maximum SBA debenture is \$1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$50,000 provided by the SBA except for "Small Manufacturers" which have a \$100,000 job creation or retention goal (see below). The maximum SBA debenture is \$2.0 million when meeting a public policy goal.

The public policy goals are as follows:

- Business district revitalization.
- Expansion of exports.
- Expansion of minority business development.
- Rural development.
- Increasing productivity and competitiveness.
- Restructuring because of federally mandated standards or policies.
- Changes necessitated by federal budget cutbacks.
- Expansion of small business concerns owned and controlled by veterans (especially service-disabled veterans).
- Expansion of small business concerns owned and controlled by women.

What funds may be used for: Proceeds from 504 loans must be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Terms, Interest rates and Fees: Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

Collateral: Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required.

Eligible Business: To be eligible, the business must be operated for profit and fall within the size standards set by the SBA. Under the

504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$8.5 million and does not have an average net income in excess of \$3 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

7.2 Guam Economic Development Authority (GEDA) Programs

GEDA is an autonomous agency of the Government of Guam that can provide you information about investing on Guam, and assist in identifying sources of economic and business information. It also administers a range of a tax incentive programs on behalf of the Government of Guam aimed at promoting investment in Guam.

a.) Qualifying Certificate Program

The Guam Economic Development Authority (GEDA) has a variety of tax incentives to encourage new investment to Guam. GEDA grants Qualifying Certificates to investors based on investment commitment and ability to generate new employment, replace imports, reduce consumer prices, or create vital new facilities. Qualified firms may receive:

- 75% tax rebate on corporate income tax for up to 20 years;
- Abatement on real property income taxes up to 10 years;
- 75% rebate on corporate dividend tax up to 5 years; and/or
- Abatement on gross receipts tax on petroleum and alcoholic beverages made in Guam up to 10 years.

Contact Information:

Guam Economic Development Authority

590 South Marine Corps Drive

Tamuning, Guam 96913

P: 647-4332

F: 649-4146

W: www.investguam.com

b.) Insurance Companies

Guam Public Law No.23-109 was introduced to broaden our economic base by capitalizing on Guam's unique geographic location to become a financial/insurance capital of the Pacific. The measure authorizes the issuance of Qualifying Certificates for Guam insurers and clarifies the tax treatment of captive insurers.

Companies locating their Pacific headquarters in Guam will be able to operate aggressively both outside of and within Guam, while having the advantages of being located in a modern American community with world class communications, access to American courts and health systems, and yet remain free of local taxes on their worldwide income. Insurance issuers, whether re-insurers, commercial insurers or captive insurers, whose headquarters are located in Guam, may enjoy the following benefits:

- 100% abatement of gross receipts tax on insurance premiums and other revenues;
- Rebate of up to 100% of income taxes resulting from the operations of an insurance underwriting entity; and/or
- 100% rebate of income tax withheld from shareholders of an insurance underwriting business on the dividends of such business.

c.) Guam Based Trusts

Similar benefits exist for Guam-based trusts. These incentives are made available through the Qualifying Certificate program of GEDA. Beneficiaries of the qualifying certificate may enjoy the abatements or rebates for a period of 20 years, which may be renewed for additional periods of 20 years so long as they remain in good standing under the laws of Guam and under the rules and regulations of GEDA.

Contact Information:

Guam Economic Development Authority

590 South Marine Corps Drive

Tamuning, Guam 96913

P: 647-4332

F: 649-4146

W: www.investguam.com

7.3 Guam Product Seal Program

This program, created by Guam Public Law 18-42, is aimed at promoting products made in Guam. It targets products made for the tourism industry and that have export potential, and identifies the products manufactured in Guam. To be eligible, a manufacturer must:

- Possess a valid Guam business license;
- Substantially transform the material(s) so that the final product has a different and distinguishable commercial use or character when completed; and
- Must add at least 50 percent to the value of the production cost in Guam.

Contact information:

Guam Department of Revenue & Taxation (DRT) – Business Registration Branch

P. O. Box 23607

Barrigada, Guam 96921

P: (671) 635-1826

P: (671) 633-2643

7.4 USDA Financial Assistance Programs

a.) **USDA Rural Development Programs (RD)** - Aims to eliminate substandard housing from rural America by helping people living in rural areas buy, build or rent decent housing. USDA RD also creates jobs by funding the creation and growth of rural businesses and cooperatives. In a typical year, USDA RD programs create

or preserve more than 150,000 rural jobs, enable 40,000 to 50,000 rural Americans to buy homes, and help 450,000 low-income rural people rent apartments or other housing across America.

Other USDA RD programs help rural communities build or improve community facilities, such as schools, health clinics and fire stations. Other programs help rural communities build or extend utilities, including water, electricity and telecommunications services. Assistance is provided in many ways, including direct or guaranteed loans, grants, technical assistance, research and educational materials. To accomplish its mission, USDA RD often works in partnership with state, local and tribal governments, as well as rural businesses, cooperatives and nonprofit agencies. USDA RD programs include:

- **Utilities Programs:** Target rural America's need for basic services such as clean running water, sewers and waste disposal, electricity, and telecommunications;
- **Housing Programs:** Target rural America's need for single-family and multi-family housing, as well as health facilities, fire and police stations, and other community facilities;
- **Business Programs:** Provide help to rural areas that need to develop new job opportunities, allowing businesses and cooperatives to remain viable in a changing economy; and
- **Community Development Programs:** Special initiatives that demonstrate effective community development techniques, and address unique and pressing economic development issues.

Contact Information:

USDA RD - Guam Office

400 Route 8, Suite 306

Maite, GU 96910

P: (671) 472-7272

F: (671) 472-7366

W: www.rurdev.usda.gov

b.) **USDA Farm Service Agency (FSA) Programs** - administers farm commodity, crop insurance, credit, environmental, conservation, and emergency assistance programs for farmers and ranchers. USDA FSA makes direct and guaranteed farm ownership (FO) and operating loans (OL) to existing family-size farmers and ranchers who cannot obtain commercial credit from a bank, a Farm Credit System institution, or other lender. FSA loans can be used to purchase land, livestock, equipment, feed, seed, and sup



plies. Direct farm loans are made by FSA with U.S. Government funds, and can also be used to construct buildings or make farm improvements. FSA also services these loans and provide loan customers with supervision and credit counseling so they have a better chance for success. Direct loan funds are also set aside each year for loans to minority applicants and beginning farmers. More information on USDA FSA programs can be found by following the program links listed below:

- Farm Loan Programs
- Disaster Assistance
- Price Support
- Conservation Programs
- Daily Market Prices
- Commodity Procurement

Contact Information:

USDA FSA - Guam Office

400 Route 8, Suite 306

Maite, GU 96910

P: (671) 472-7359

F: (671) 472-7580

W: www.fsa.usda.gov

7.5 Foreign Sales Corporations (FSC's)

The U.S. Deficit Reduction Act of 1984 provided to manufacturers, architects and engineers, selling in foreign markets an opportunity to minimize their U.S. income tax on the profits of such sales. The law designated Guam, amongst certain other locations, as a site for the establishment of Foreign Sales Corporations to facilitate these tax savings.

Guam Public Law 17-63 provides local rules and regulations in support of this federal law. It levies fees of \$400 for an FSC with sales less than \$5 million per year, and \$1,000 for an FSC with sales above \$5 million per year, with the annual fee increasing at 10 year intervals. Over 300 U.S. manufacturers have already established an FSC in Guam.

FSC's register, file incorporation documents, and pay fees to the Guam Department of Revenue and Taxation, who administer the program. More information at:

www.govguamdocs.com/revtax/index_revtax.htm

7.6 General Headnote 3(A)

Background: General Headnote 3(a)(iv) of the U. S. Harmonized Tariff Schedule provides a special trade designation for products that are assembled or manufactured in Guam and other insular areas of the United States. These products may enter the customs territory of the United States free of duty as long as they are in compliance with General Headnote 3(a)(iv) and applicable customs regulations.

Requirements to Meet Duty Free Designation: Articles assembled or manufactured in Guam, when imported into the United States, must not contain foreign materials valued at more than seventy percent (70%) of the total value of the final appraised value of the manufactured article (appraised value as determined under sections 402 and 402a of the Tariff Act of 1930, and amendments). Duty Free entry of these articles also requires them to be shipped directly to the customs territory of the United States and the articles are not subject to importation quotas. Customs regulations 19 CFR 7.3 requires that a Certificate of Origin form (Customs Form 3229) must be completed in connection with the entry of merchandise claimed free of duty under General Headnote 3(a)(iv). In determining whether an article is manufactured or produced within the scope of General headnote 3(a)(iv), a new and different article with a new name, character and use must result from the operations performed in Guam. Please note that an article imported into Guam in a substantially complete condition does not, without extensive modifications performed on it, resulting in a new and different article of commerce, and therefore does not benefit from the General Headnote 3(a)(iv) designation for Guam.

Determining Eligibility: The test to determine 70 percent of the total value added limitation for articles manufactured, produced or assembled in Guam is done by comparing the actual purchase price of the foreign materials imported into Guam, including the cost of transportation, and the final appraised value in the United States determined in accordance with the value provisions of the tariff laws of the United States.

For more information:

Guam Customs & Quarantine Agency

P. O. Box 21828

Barrigada Guam 96921

P: (671) 475-6201/2

F: (671) 475-6227

W: www.cqa.guam.gov

7.7 Generalized System of Preferences (GSP)

The U.S. Generalized System of Preferences (GSP) is a program designed to promote economic growth in the developing world by providing preferential duty-free entry for about 4,800 products from 131 designated beneficiary countries and territories. GSP was instituted on January 1, 1976, by the Trade Act of 1974. Congress has authorized GSP through December 31, 2009. Guam is a beneficiary of the following countries: Japan, Australia, and the European Common Market nations. Requirements of each participant vary and interested exporters should contact the appropriate trade office of the particular country of destination. For more information on GSP, please refer to:

www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp

8. Business Assistance

There are a number of organizations able to assist you with business planning, and applying for financing for your business, including:

8.1 Guam Small Business Development Center (SBDC)

The Pacific Islands Small Business Development Center Network (PISBDCN) oversees the Guam SBDC, located at the University of Guam in Mangilao, and five other service centers: Kosrae, Chuuk and Yap SBDC's located in the Federated States of Micronesia; the Palau SBDC in Koror, Republic of Palau; and the RMI SBDC in Majuro, Republic of the Marshall Islands.

The PISBDCN offers free one-to-one confidential counseling and technical assistance, including help with business plan preparation, through SBDC service centers in the Micronesian Region. It also provides a range of small business training workshops for a nominal or no fee. Please refer to Section I (Introduction) above for more information.

Contact Information:

Guam SBDC

Leon Guerrero School of Business & Public Administration
University of Guam, University Drive
Mangilao, Guam 96923
P: (671)735-2590
F: (671)734-2002
W: www.pacificsbdc.com

8.2 University of Guam Pacific Center for Economic Initiatives (PCEI)

The PCEI, established specifically to help western pacific entrepreneurs establish and grow, offers entrepreneurship education and entrepreneurial adult training, resource experts for entrepreneurs at all levels, technical assistance for small business planning initiatives, local and relevant market and industry information for industry development, and readily accessible information through its resource database. Recognizing that existing and prospective businesses need reliable, current and relevant business and eco-



omic data in their decision-making and planning, PCEI has teamed up with local partners to make available several publications on its website, including quarterly technical reports, Consumer Price Index reports, Trade data, and others. Please refer to Section I (Introduction) above for more information.

Contact Information:

UOG Pacific Center for Economic Initiatives

Leon Guerrero School of Business and Public Administration
University of Guam, University Drive,
Mangilao, Guam 96923
P: (671)735-2520/2553
F: (671)734-5362
W: www.uogonline.com/pcei

8.3 University of Guam Technical Assistance Programs

a.) **University of Guam Micronesia Area Research Center (MARC):** Since 1967, MARC has been striving to acquire, preserve and provide access to collections of archival maps, photographs, texts and cultural materials. It also provides consulting services in the area of field archaeological research and, in preparation for the military build-up, has strengthened its capacity to serve the community through environmental and archaeological consulting.

Contact Information:

Richard Flores Taitano - Micronesia Area Research Center

UOG Station

Mangilao, Guam 96923

P: 671-735-2150/2151

F: 671-734-7403

W: <http://www.uog.edu/dynamicdata/MicroAreaResearchCenter.aspx?siteid=1&p=52>

b.) University of Guam Marine Laboratory: Established in 1970, the UOG Marine Laboratory serves the greater Micronesia region by undertaking primary and applied research on the biology of tropical marine organisms, emphasizing conservation and management of coastal marine resources. It also provides community service through environmental assessments, technical reports, educational materials, public lectures, sharing its expertise on marine issues, as well as assisting with teaching undergraduate and graduate programs in biology at the university.

Contact Information:

UOG Marine Laboratory

UOG Station

Mangilao, Guam 96923

P: 671-735-2175

F: 671-735-6767

W: <http://www.guammarinelab.com/>

c.) University of Guam Center for Excellence for Developmental Disabilities Education, Research and Service (CEDDERS): CEDDERS creates pathways that enhance, improve and support the quality of life for individuals with developmental disabilities and their families through interdisciplinary training, services and support, research, and by undertaking these activities in ways that reflect cultural relevance and sensitivity.

Contact Information:

UOG CEDDERS

UOG Station, Dean Circle, House 29

Mangilao, Guam 96923

P: 671-735-2481

F: 671-734-5709

W: <http://guamcedders.org/main/index.php>

d.) University of Guam Water and Environmental Research Institute of the Western Pacific (WERI): Established at the University of Guam in May 1975, WERI is one of 55 institutes established by U.S. Congressional legislation at each Land Grant University in the United States and in several territories. It facilitates and conducts high quality research that addresses water problems and water-related phenomena; trains students, teachers and future water resource professionals; and to disseminate research results to the community.

WERI also operates a Water Quality Analysis laboratory, which is equipped to perform a range of water quality/environmental analysis testing, as well as a state of the art computer analysis and Geographic Information System (GIS)/Engineering Graphics laboratory.

Contact Information:

UOG WERI

UOG Station

Mangilao, Guam 96923

P: 671-735-2686

F: 671-734-8890

W: <http://weriguam.org/v2/index.php>

8.4 Guam Procurement Technical Assistance Center (PTAC)

The Guam PTAC provides specialized services needed to ensure that Guam small businesses are competitive in local and federal government procurement. The center is staffed by trained professionals with experience in both business and government and is hosted by the University of Guam School of Business and Public Administration. PTAC counselors provide assistance in the following areas:

- Identify preference eligibility and complete applicable certifications
- Research contract award histories
- Understand solicitation requirements and terminology
- Locate specifications and standards
- Review bids and proposals
- Assist in completing mandatory/beneficial registrations
- Explain how the government uses electronic transactions
- Search government databases to identify opportunities
- Provide "up to the minute" information on government procurement processes and procedures

Contact Information:

Guam PTAC

Bank of Guam - East West Center
Marine Corps Drive, Upper Tumon,
Tamuning, Guam 96913

P: (671) 647-2895

F: (671) 647-2896

W: www.guamptac.com

8.5 Other Sources of Assistance

a.) Service Corps of Retired Executives (SCORE) is a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. More than 10,000 volunteer counselors provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. Counselors work with entrepreneurs through every phase of their entrepreneurial venture: generating and assessing ideas, preparing a business plan, raising capital and managing the operations and finances of the growing venture. You can obtain free, personalized, confidential counseling from SCORE executives from the comfort of your computer. This service is provided 24 hours a day, 7 days a week, and answers are provided via e-mail within 48 hours. This confidential advice is offered free of charge as a public service to all U.S. citizens and green card holders.

Contact Information:

Service Corps of Retired Executives (SCORE)

409 3rd Street SW, 6th Floor

Washington, D.C. 20024

P: 1-800-634-0245

W: www.score.org

b.) Small Biz University (SBU) - This online eLearning academy provides self-paced training for startups and on-going businesses. It is a netware product that uses PowerPoint slides with voice-over narration (it works better on broadband). It offers tools, training programs, tests & a quiz that allows you to print the results. You can also download a lot of the information provided. It is recommended that you first click and view the tutorial presentation that illustrates the course interface and features. If you have trouble logging in, click your "refresh" button and try again.

The link to the application is www.smallbizu.org/guam. This use of this netware is free. Please call the Guam SBDC at 735-2590 for additional assistance.

c.) PitchThenPlan – This business planning netware provides you with a format for the research and development of your business plan. It allows you to modify the text portion of the business plan, and is accessible to you 24/7 at any Internet enabled computer.

You must first establish a user name and password. Then follow the instructions on the screen, and always save your work before logging out. The link to this free netware is:

www.pitchthenplan.com/homepage.htm

d.) Virtual Advisor – This is another free netware product that provides self-paced training for small businesses using a PowerPoint slide format. This product is provided free of charge by special arrangement with the Guam SBDC.

In order to access this application, you need to first go to www.pacificsbdc.com.

Then click on Virtual Advisor, set up your own user name and password, and select a training program that is of interest to you.

e.) US SBA Small Business Assessment Tool (SBAT): This questionnaire targets individuals who are planning a business start-ups or who own a relatively new business and are seeking assistance through the SBA Community Express Program. After completing this questionnaire, the SBAT will recommend a number of online training programs only available through the SBA website. The SBAT can be found at:

<http://web.sba.gov/sbtn/sbat/index.cfm?Tool=1>

If you wish to access these online training programs directly, without using the SBAT, please go to:

www.sba.gov/services/training/onlinecourses/index.html

9. Federal Contracting in Guam



9.1 Introduction

The U.S. government is the world's largest buyer of products and services. Purchases by military and civilian installations amount to nearly \$200 billion a year, and include everything from complex space vehicles to janitorial services to cancer research. In short, the government buys just about every category of commodity and service available. Learning how the Federal government buys, understanding the responsibilities of contractors and recognizing subcontracting and procurement opportunities are the first steps to navigating this complex world of contracting.

The government applies standardized procedures by which to purchase goods and services from suppliers who meet certain qualifications. That is, the government does not purchase items or services in the way an individual household might. Instead, government contracting officials use procedures that conform to the Federal Acquisition Regulations (FAR), or in the case of NASA, the Department of Defense, the Department of Homeland Security and others, procedures that conform to the FAR and supplemental regulations specific to those agencies.

The FAR is a standardized set of regulations used by all federal agencies in making purchases. It provides procedures for every step in the procurement process, from the time someone in the government discovers a need for a product or service to the time the purchase is complete. Agency specific supplemental regulations compliment the FAR however they do not contradict the FAR. The FAR can be accessed electronically at www.arnet.gov/far.

By law, federal agencies are required to establish contracting goals, such that 23% of all government buys are intended to go to small businesses. In addition, contract goals are established for

women-owned businesses, small disadvantaged businesses, firms located in HUBZones, and service disabled veteran-owned small businesses. These government-wide goals are 5%, 5%, 3% and 3%, respectively. Even though these are mandated goals versus mandated results, they are important because federal agencies have a statutory obligation to reach-out and consider small businesses for procurement opportunities. It is up to you to market and match your business products and services to the buying needs of federal agencies.

While federal procurement procedures may have a different set of rules and regulations, many of the same marketing techniques and strategies you already employ may work here. Some tips: Get to know the agency and understand the context in which your product or service could be used. Obtain available information on past awards, quantities, costs and awarders. You may conduct research on the federal marketplace by geographic area or products and services through the Federal Procurement Data System which is available on line at www.fpds.gov or www.usaspending.gov.

Become known to potential purchasers and the end users they represent. Before going forward, take a moment to think about your company's products and services. Take a close look at your company and consider what the government will look for when considering your company for a contract award. Financial status, staff capabilities and track record are all areas of interest to the government.

9.2 Prerequisites

The U.S. Government is increasing the use of single entry portals for those seeking access to the federal marketplace. One very important portal is Central Contractor Registration (CCR). Your firm must be registered in CCR as a prerequisite to being awarded a contract with the federal government and more importantly, a current registration ensures your firm will be promptly paid upon the delivery and acceptance of the product or service you provided to the government.

The first step to becoming registered in CCR is to register your company with Dun and Bradstreet (DNB) who will issue your firm a DUNS number (acronym for Data Universal Numbering System). If your firm is based in one of the U.S. Territories or possessions located in the Western Pacific, you must obtain your DUNS number through DNB – Australia. DNB-Australia's website is located at www.dnb.com/au. All other U.S. companies should obtain their DUNS number through the domestic U.S. DNB website at www.dnb.com.

Once you have obtained your DUNS number, you may proceed

to the CCR registration page at www.ccr.gov. Prior to beginning your registration, it is recommended you download and read the CCR Handbook as it is full of helpful hints that will make the process go more smoothly once you begin the registration process. Upon completion of the application, CCR will issue your firm with a Commercial and Government Entity Code (CAGE Code), which will be required on all contracts. Due to personnel turnover and poor record keeping habits, this information is often "lost" between the time you register your firm and the time you need to update your CCR information. Therefore it is highly recommended that this information be included in the standard operating procedures that outline your firm's policies related to the storage and protection of important information.

In addition to registering in CCR, your firm should also complete, update and maintain information in the Dynamic Small Business Search Engine (DSBS) which is part of CCR. This area is very important to small business concerns as it allows your firm to refine your marketing information to make the CCR/DSBS registration "yours." In the DSBS, your firm will be able to identify itself as woman owned, serviced disabled veteran owned and more as well as provide links to your company's web site, provide information on past performance, and tailor your marketing message to your company's advantage.

So why should I complete all of these registrations other than "I have to?" In this day and age of contracts that are increasingly regional or in some cases worldwide, contracting officials and large businesses need to find small businesses to partner with to fill the government's need in the geographic areas covered by a contract. It doesn't take much imagination to envision the number of telephone books, Chamber of Commerce registries or rolodex entries needed to try to keep up with businesses located over a wide geographical area. The availability of the DSBS gives the contracting officials and their large business counterparts, an inexpensive, one stop portal to find small businesses capable of fulfilling their needs.

9.3 Contractor Responsibilities

Knowing what and how the government buys is essential if a business owner is to be successful in government contracting. Don't think, however, that you can relax once you receive the good news that you have won a contract. Your work is just beginning. If you cannot perform according to the terms of the contract, the government will not get the product or service it needs and you may find yourself in financial difficulty as well.

The first thing to do is to read the proposed contract carefully before signing it. This may look like an imposing task, as some contracts may contain many pages, depending on the type of contract and complexity of what the government is buying. However, many contract terms and conditions are "boiler plate." Once you read and understand the terms, you will be familiar with them when they appear in your next contract. One important feature of the contract is the identity of the office that will administer it. In most federal agencies this is usually the same

office that awarded the contract. In the Department of Defense (DOD), however, the contract is generally assigned to a special administering office. If you have any questions about the contract, contact the office of administration. To better understand allowable and unallowable contract costs, see the Defense Contract Audit Manual which can be found at the Defense Contract Audit Agency (DCAA) home page located at www.dcaa.mil. It is far better to take the time to fully understand your contract terms and condition in the beginning than it is to simply proceed and find out much later that you are not in compliance.

The Department of Defense (DOD) in particular is requiring businesses to have an ever higher standard of computing capability as a pre-condition to contracting with DOD. It is also increasingly using computer driven contract monitoring and performance reporting through programs such as "web CM" and "wide area work flow." In some cases, businesses are required to post daily by a specific time, progress towards the completion of the contract. All of these requirements increases the overhead costs to you, the business owner. To better understand allowable and unallowable contract costs, see the Defense Contract Audit Manual which can be found at the Defense Contract Audit Agency (DCAA) home page located at www.dcaa.mil.

9.4 How the government buys

All federal procurement opportunities expected to exceed \$25,000, except those reserved for select purposes such as 8(a) set asides, are posted on the Federal Business Opportunities (FedBizOpps or FBO) website. FBO is a web-based application and the government-wide point of entry to communicate its buying requirements to potential suppliers. Understanding this website is a critical element in the business success of those firms doing business in the federal marketplace. This very important information can be accessed at www.fbo.gov.

9.5 Contracting Methods

When the government wants to purchase a certain product or service, it can use a variety of contracting methods. Simplified acquisition procedures, sealed bidding, contracting by negotiation and consolidated purchasing vehicles are key contract methodologies to purchase products and services.

9.6 Simplified Procedures

The Federal Acquisition Streamlining Act (FASA) of 1994 is intended to simplify government buying procedures. It removed many competition restrictions on government purchases of less than \$100,000. Instead of full and open competition, agencies can now use simplified procedures for soliciting and evaluating bids from \$3,000 up to \$100,000. Government agencies, however, are still required to advertise all planned purchases over \$25,000 in the FBO website.

Simplified procedures require fewer administrative details, lower

approval levels, and less documentation. New procurement reform legislation requires all federal purchases above \$3,000 but under \$100,000 to be reserved for small businesses, unless the contracting officer cannot obtain offers from two or more small businesses that are competitive on price, quality and delivery.

Government purchases of individual items or multiple items whose aggregate amount does not exceed \$3,000 are now classified as “micro-purchases” and can be made without obtaining competitive quotes. However, these purchases are no longer reserved for small businesses. Agencies can make micro-purchases using a Government Purchase Card (works like a typical credit card).

9.7 Sealed Bidding

Sealed bidding is how the government contracts competitively when its requirements are clear, accurate and complete. An Invitation for Bid (IFB) is the method used for the sealed bid process. Typically, an IFB includes a description of the product or service to be acquired, instructions for preparing a bid, the conditions for purchase, packaging, delivery, shipping and payment, contract clauses to be included and the deadline for submitting bids. Each sealed bid is opened in public at the purchasing office at the time designated in the invitation. All bids are read aloud and recorded. A contract is then awarded by the agency to the low bidder who is determined to be responsive to the government’s needs. Government-wide IFBs are available daily for review at www.fbo.gov.

9.8 Contract Negotiation

In certain cases, when the value of a government contract exceeds \$100,000 and when it necessitates a highly technical product or service, the government may issue a Request for Proposal (RFP). In a typical RFP, the government will request a product or service it needs, and solicit proposals from prospective contractors on how they intend to carry out that request, and at what price. Proposals in response to an RFP can be subject to negotiation after they have been submitted.

When the government is merely checking into the possibility of acquiring a product or service, it may issue a Request for Quotation (RFQ). A response to an RFQ by a prospective contractor is not considered an offer, and consequently, cannot be accepted by the government to form a binding contract. The order is an offer by the government to the supplier to buy certain supplies or services upon specified terms and conditions. A contract is established when a supplier accepts the offer.

Government-wide RFPs and RFQs are available daily for review at FBO. In most instances, the government uses oral solicitations for purchases less than \$25,000, written solicitations for purchases over \$25,000, and purchase cards to obtain micro-purchases less than \$3,000.

One of the most significant changes in government acquisition reform is the increased importance of “best value.” Best value

means that, rather than making awards to the lowest bidder as it generally did in the past, the government can now make awards for the item that best satisfies its needs at a slightly higher price. If purchasers are going to make an award based on best value, they must state their intent in the solicitation document and include a description of the evaluation criteria, award factors, and factors other than the price that will be considered in making a contract award.

9.9 Consolidated Purchasing Programs

Most government agencies have common purchasing needs - carpeting, furniture, office machine maintenance, petroleum products and perishable food supplies are just a few examples. Sometimes the government can realize economies of scale by centralizing the purchasing of certain types of products or services. Acquisition Vehicles - Procurement reform has ushered numerous new and/or modified acquisition vehicles - multiple award contracts - such as multi-agency contracts and government-wide acquisition contracts (GWACs). These vehicles encourage long-term vendor agreements with fewer vendors. The use of these contract vehicles, including expanded use of General Services Administration (GSA) schedules has increased significantly during the last few years. These popular vehicles allow government buyers to quickly fill requirements by issuing orders against existing contracts or schedules without starting a new procurement action from scratch.

9.10 How SBA Can Help

The mission of the US Small Business Administration (SBA) is to stimulate and foster economic development by helping new businesses get started and established firms grow. While small businesses often face considerable hurdles when trying to win federal contracts, the SBA can help overcome these barriers. The SBA works closely with other federal agencies and the nation’s leading federal contractors to ensure that small businesses obtain a fair share of government contracts and subcontracts.

The SBA Guam Branch Office functions as a branch of SBA’s Hawaii District Office in Honolulu. The Branch Office is responsible for the delivery of SBA programs and services in the Territory of Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. freely associated island-nations of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. All services are free of charge and are offered as a public service.

a.) SBA HUBZone Program: This program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. The company must also maintain a “principal office” in one of these specially designated areas. Please note that a principal office can be different from a company headquarters (refer frequently asked questions

at www.sba.gov/hubzone).

To qualify for the program, a business (except tribally-owned concerns) must meet the following criteria:

- It must be a small business by SBA standards;
- It must be owned and controlled at least 51% by U.S. citizens, or a Community Development Corporation, or an agricultural cooperative or an Indian tribe;
- Its principal office must be located within a 'Historically Underutilized Business Zone,' which includes lands considered Indian Country and military facilities closed by the Base Realignment and Closure Act; and
- At least 35% of its employees must reside in a HUBZone.

Existing businesses that choose to move to qualified areas are eligible. To fulfill the requirement that 35% of a HUBZone firm's employees reside in the HUBZone, employees must live in a primary residence within that area for at least 180 days or be a currently registered voter in that area.

To apply for HUBZone certification, you first need to set up a SBA GLS Login ID. Once this login and a password have been established, you can either follow a link from your SBA GLS profile page, or login directly at www.sba.gov/hubzone.

b.) SBA Business Development and Small Disadvantaged Business Programs: The SBA administers the 8(a) Business Development Program which offers a broad scope of assistance to socially and economically disadvantaged firms. Companies which are 8(a) certified also qualify automatically for Small Disadvantaged Business (SDB) certification.

The 8(a) Business Development Program has been strengthened and improved to be a truly effective business development vehicle. New regulations permit 8(a) companies to form beneficial teaming partnerships and allow Federal agencies to streamline the contracting process. New rules make it easier for non-minority firms to participate by proving their social disadvantage. SBA have also implemented a new Mentor-Protégé Program to allow starting 8(a) companies to learn the ropes from experienced businesses. The goal is to teach 8(a) and other small companies how to compete in the Federal contracting arena and how to take advantage of greater subcontracting opportunities available from large firms as the result of public-private partnerships.

The 8(a) Program has become an important instrument for helping socially and economically disadvantaged entrepreneurs gain access to the economic mainstream of American society. SBA has helped thousands of aspiring entrepreneurs over the years to gain a foothold in government contracting. Participation is divided into two phases over nine years: a four-year developmental stage and a five-year transition stage. During FY 2005, the 9,470 businesses participating in the 8(a) Business Development Program received \$7.0 billion in 8(a) set aside contracts. These firms made significant contributions to the Federal, state and local tax bases, and contributed an estimated 194,234 jobs

to the Nation's economy.

Benefits of the Program:

- Participants can receive sole-source contracts, up to a ceiling of \$3.5 million for goods and services and \$5.5 million for manufacturing. While SBA helps 8(a) firms build their competitive and institutional know-how, the agency also encourages them to participate in competitive acquisitions.
- Federal acquisition policies encourage Federal agencies to award a certain percentage of their contracts to SDB's. To speed up the award process, the SBA has signed Memorandums of Understanding (MOUs) with 25 Federal agencies allowing them to contract directly with certified 8(a) firms.
- Recent changes permit 8(a) firms to form joint ventures and teams to bid on contracts. This enhances the ability of 8(a) firms to perform larger prime contracts, and overcome the effects of contract bundling, by combining two or more contracts together into one large contract.

Eligibility Requirements:

- To qualify for the program, a small business must be owned and controlled by a socially and economically disadvantaged individual. Under the Small Business Act, certain presumed groups include African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans, and Subcontinent Asian Americans. Other individuals can be admitted to the program if they show through a "preponderance of the evidence" that they are disadvantaged because of race, ethnicity, gender, physical handicap, or residence in an environment isolated from the mainstream of American society. In order to meet the economic disadvantage test, all individuals must have a net worth of less than \$250,000, excluding the value of the business and their personal residence.
- Successful applicants must also meet applicable size standards for small business concerns; be in business for at least two years; display reasonable success potential; and display good character. Although the two-year requirement may be waived, firms must continue to comply with various requirements while in the program.

In order to apply for the 8(a) Program, you first need to set up a SBA GLS Login ID. Once this login and a password have been established, you follow a link from your SBA GLS profile page to the (8(a) application. For more information about this program, please refer to:

www.sba.gov/aboutsba/sbaprograms/8abd/faqs/index.html

Contact Information:

US Small Business Administration - Guam Branch Office

400 Route 8, Suite 302

Hagåtña, Guam 96910-2003

P: (671)472-7419

F: (671) 472-7365

W: www.sba.gov



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10. Operating in Guam



10.1 Managing Employees

If you plan to hire employees for your business in Guam, there are federal regulations to follow. There are also resources to assist you with sourcing and hiring employees for your company.

a.) Social Security Numbers: Every person employed is required to obtain a Social Security Number. To get a Social Security number or a replacement card, one must prove your U.S. citizenship or immigration status, age and identity. Only certain documents can be accepted as proof of U.S. citizenship. These include U.S. birth certificate, a U.S. passport, a Certificate of Naturalization or a Certificate of Citizenship.

If an employee is not a U.S. citizen, different rules apply for proving immigration status. Acceptable documents include:

- Form I-551 (includes machine-readable immigrant visa with your unexpired foreign passport);
- I-94 with your unexpired foreign passport; or
- Work permit card (I-766 or I-688B).

Contact Information:

The U.S. Social Security – Guam Office

655 Harmon Loop Road Suite 300

Dededo, Guam 96929

P: (671) 635-4433

Toll Free: 1-800-772-1213

W: www.ssa.gov

b.) Alien Labor Certification: If your company is not able to locate qualified workers on Guam and seeks to import labor, it is important to understand the alien labor processing and certification system.

Background: A Temporary Labor Certification is required for the filing of a petition for H-2B workers with the Department of Homeland Security (US Immigration and Naturalization Service, INS). Federal regulations 8 CFR 214.2 vests the Governor of Guam with the authority to issue Temporary Labor Certifications for job opportunities in Guam.



General: INS regulations require that:

- The H-2B petitioner be a U.S. employer, or the authorized representative of a foreign employer having a location in the United States; and
- The employer apply for temporary labor certification with the Guam Department of Labor, Alien Labor Processing & Certification Division (GALPC), prior to filing a petition with INS to classify an alien as an H-2B worker in the United States.

The Alien Labor Certification division has four major functions:

- To review, receive, process and adjudicate Temporary Alien Labor Certifications for Guam.
- To register all H-2B workers entering Guam evidenced by the issuance of an H-2B ID Card.
- Conduct surveillance and investigation activities to prevent violations of the Rules and Regulations.
- Compile and maintain records and statistical data.

The petitioner's need for alien labor services shall be based on one of the following needs:

- **One-time occurrence.** The petitioner must establish that it has not employed workers to perform the services or labor in the past and that it will not need workers to perform the services or labor in the future, or that it has an employment situation that is otherwise permanent, but a temporary event of short duration has created the need for a temporary worker.
- **Seasonal need.** The petitioner must establish that the services

or labor is traditionally tied to a season of the year by an event or pattern and is of a recurring nature. The petitioner shall specify the period(s) of time during each year in which the services or labor is not needed is unpredictable or subject to change or is considered a vacation period for the petitioner's permanent employees.

- **Peakload need.** The petitioner must establish that it regularly employs permanent workers to perform the services or labor at the place of employment and that it needs to supplement its permanent staff at the place of employment on a temporary basis due to a seasonal or short-term demand and that the temporary additions to staff will not become a part of the petitioner's regular operation.
- **Intermittent need.** The petitioner must establish that it has not employed permanent or full-time workers to perform the services or labor, but occasionally for intermittent needs or temporary workers to perform services or labor for short period.

Contact Information:

Guam Department of Labor

414 West Soledad Avenue
 GCIC Building, Suite 400
 Hagåtña, Guam 96910
 P: (671) 475-7043
 F: (671) 475-7045
 W: guamdol.net/content/view/full/149/234/

c.) **US labor Laws:** New and growing small businesses often need help identifying and understanding the specific U.S. Department

of Labor (DOL) laws and regulations that apply to them. The U.S. Department of Labor has an informative web site that can provide answers to many questions that businesses may have, including:

- **FirstStep Employment Law Advisor** - Designed to help employers determine which federal employment laws administered by the U.S. Department of Labor (DOL) apply to their business or organization, what recordkeeping and reporting requirements they must comply with, and which posters they need to post.
- **Employment Law Guide** - Describes DOL's major laws using plain language covering various employment issues including minimum wage, overtime, safety and health, pensions, family and medical leave, nondiscrimination, and more.
- **Workplace Poster Requirements** - Helps small businesses and other employers learn which DOL posters to display in their workplace.
- **Wage and Hour Labor Standards Information for New Businesses** - Provides an overview of basic wage and hour information.
- **OSHA Handbook for Small Businesses (PDF)** - Helps small businesses establish their own safety and health programs.

Contact Information:

US Department of Labor

P: 1-866-4-USA-DOL

W: www.dol.gov/compliance/audience/smallbus.htm

10.2 Networking and Marketing in Guam

Guam is home to many business membership organizations designed to help companies network and market effectively. New and established members should consider membership in one or more of these organizations to promote their companies and foster relationships with other business owners on Guam.

a.) Guam Chamber of Commerce: A non-profit voluntary association of more than 400 business and professional individuals and firms united in their desire to improve business conditions and build a better social and economic community in Guam.

Contact Information:

Guam Chamber of Commerce

173 Aspinall Avenue, Suite 101

Ada Plaza Center, Hagåtña, GU 96910

P: (671)472-6311/8001

F: (671)472-6202

W: www.guamchamber.com.gu

b.) Guam Contractors Association (GCA): A non-profit corporation dedicated to promoting the common business interests of its member contractors, subcontractors, material suppliers, equipment lessors, and other businesses related to the construction industry here in Guam. Its goals are to improve the standing of the industry by promoting quality workmanship and safety consciousness in all aspects of our industry, to disseminate to members vital information relative to the construction industry, and to strive for the prosperity of a construction industry that can best serve the Guam community.

Contact Information:

Guam Contractors Association

718 N. Marine Corps Drive, Suite 203

East West Business Center

Upper Tumon, GU 96913

P: (671) 647-4840/41

F: (671) 647-4866

W: www.guamcontractors.org

c.) Guam Hotel and Restaurant Association (GHRA): A private, non-profit trade association representing hotels and restaurants in Guam, it strives to be an active corporate citizen in the community and work with others to improve the overall quality of life in the Island of Guam. Its goals are to promote the highest standards of service and quality in the hotels and restaurants on Guam; advocate just legislation and governmental regulations governing the conduct of business; improve business-community relations through positive interactions with Guam's citizenry; and publicize the value and benefits of the island's visitor industry to the Guam economy.

Contact Information:

Guam Hotel and Restaurant Association (GHRA)

P.O. Box 8565

Tamuning, Guam 96931

P: (671)649-1447

F: (671)649-8565

W: www.ghra.org

d.) Guam Visitors Bureau (GVB): A public, non-profit membership corporation created by Guam law to stimulate interest in Guam as a travel destination and to encourage the development of the island's visitor industry. GVB's foremost responsibility is to develop, promote, and facilitate travel to Guam from Japan and throughout the world. Membership in GVB is available to any individual, organization, or business with common interests.

Contact Information:

Guam Visitors Bureau (GVB)

401 Pale San Vitores Road

Tamuning, Guam 96913

P: (671)646-5278/9

F: (671)646-8861

W: www.visitguam.org

e.) Chinese Chamber of Commerce of Guam (CCCG): Formerly the Chinese Merchants Association of Guam, CCCG is a non-profit membership organization that aims to unite all Chinese businesses, to contribute to the Guam community, and to provide various services and benefits to its members.

Contact Information:

Chinese Chamber of Commerce of Guam

Sunny Plaza Building, Suite #101

125 Tun Jesus Crisostomo Street

Tamuning, Guam 06011

P: (671)646-2168

F: (671)646-2169

W: www.guamchinese.com

Other valuable business networking opportunities include membership of community service organizations such as the Guam Rotary and Lions Clubs, and professional membership organizations.

tions including the Guam Board of Realtors and the Guam Bar Association.

10.3 Supply Chain Management

“Supply Chain” refers to the flow of materials, information, and finances as they move from supplier to manufacturer to wholesaler to retailer to consumer. Unlike companies located on the mainland, where goods and materials can be transported via truck or rail, Guam relies on air freight and shipping for the import and export of goods and materials.

Most organizations are continually seeking to optimize their supply chains as a means of gaining a competitive advantage. Companies that manage their inventory well, and have a good management system in place to order, receive, and restock items, are well positioned to retain and increase their customer base.

If your company relies heavily on the availability of items not regularly stocked on Guam, you will need to develop business relationships with the freight forwarders, shipping companies, and airlines that operate in Guam.

a.) Air Services: The Guam International Airport is a primary regional airport serving passenger and cargo needs between Guam and the United States, Asia, Australia and various islands in the Pacific region. As America’s westernmost territory, Guam is internationally known as “Where America’s Day Begins” and here in the Western Pacific as the “Gateway to Micronesia.”

The Airport is centrally located in the heart of Guam’s business district offering 768,000 sq. ft. of terminal space along with numerous hangars, maintenance facilities, warehouse space, storage facilities, office space, and expansive ground areas with high potential for commercial development on over 1,800 acres.

Contact Information:

A.B. Won Pat International Airport, Guam
355 Chalan Pasaheru
Tamuning, Guam 96911
P: (671) 646-0300
F: (671) 646-8823
W: guamairport.com

More than 250 flights per week connect Guam to all major cities in the Pacific, Asia, and the U.S. mainland. Airlines that serve Guam include:

Continental Micronesia, Inc.
P.O. Box 8778
Tamuning, Guam 96931
P: 645-8595 / 642-8840
F: 649-6588
Terminal: 642-8701
W: www.continental.com

Delta Airlines (formerly Northwest Airlines)
522 Chalan Pasajeru
Tamuning, Guam 96913
P: 642-6921
F: 649-4150
Terminal: 642-6921/3/4/28
W: www.delta.com
W: www.nwa.com

Japan Airlines / JALways Co., Ltd.
355 Chalan Pasaheru Road; Suite B225
Tamuning, Guam 96913
P: 642-6421
F: 642-6429
W: www.jal.co.jp

China Airlines
388 South Marine Drive
Suite 201, Isla Plaza
Tamuning, Guam 96913
P: 649-0860/1/2
F: 649-0867
W: www.china-airlines.com

Philippine Airlines
P.O. Box 11977
Tamuning, Guam 96931
P: 632-1615
F: 632-1625
W: www.philippineairlines.com

Korean Air
P.O. Box 11979
Tamuning, Guam 96931
P: 642-3216/7/8
F: 642-3219
Terminal: 642-3203
W: www.koreanair.com

Asia Pacific Airlines
Yellow Cargo Building
P.O. Box 24858
GMF, Guam 96921
P: 647-0050/1
F: 647-1086
W: www.flyapa.com

Aviation Services Ltd. dba Freedom Air
P.O. Box 1578
Hagatna, Guam 96932
P: 472-8009/10
F: 472-8080
Terminal: 647-8359/62
W: www.freedomairguam.com
Source: guamairport.com

b.) Shipping Services: Guam’s commercial port is the largest and deepest port between Hawaii and Asia, and moves more than 2 million tons of cargo each year. Guam’s businesses rely heavily on the port to receive shipments of goods, and for the transshipment of goods to other parts of Micronesia, the Western Pacific and Asia. The main commercial port facilities are located on approximately 74 acres on Cabras Island in Piti. It owns and operates 5 cargo handling piers, two fuel piers, three marinas and a harbor of refuge. It offers 2,900 linear feet of dock space and 26.5 acres of container yard facilities, with an additional 50 acres set aside to expand the existing container yard.

Contact Information:

Jose D. Leon Guerrero Commercial Port of Guam
1026 Cabras Highway, Suite 201, Piti, Guam 96915
P: (671) 477-5931 or 472-PORT
F: (671) 477-2689
W: portguam.com (including shipping schedules and tariff information)

Shipping services from the United States West Coast and Hawaii to Guam are provided by:

Matson Navigation Services
Port Authority of Guam
1026 Cabras Highway, Piti
Guam Pier F-5,
P: (671)475-5961
W: www.matson.com (including shipping schedules and tariffs)

Horizon Lines, LLC
P O Box 8897
Tamuning, Guam 96931
P: (671)475-8100
W: www.horizonlines.com (including shipping schedules and tariffs)

Shipping agents can arrange shipments to Guam from ports in Japan, Taiwan, the Philippines, Australia, New Zealand, Singapore, South Korea and Hong Kong. Shipping agencies for these countries include:

Ambyth Group
1026 Cabras Highway Ste 205
Piti, Guam 96915
P: (671)477-7250
W: www.ambyth.com (including trucking and air freight information)

Inchcape Shipping Services (Guam) LLC
1026 Cabras Highway, Suite 116
Piti, Guam 96915
P: 477-5921/2/3
F: 477-5924
W: www.iss-shipping.com

Marianas Steamship Agencies (MSA)
P.O. Box 3219, Hagåtña,
Guam 96932
P: (671)472-8584
F: (671)472-8585/5692
W: www.msa-guam.com (including ship-
ping schedules and tariffs)

c.) Air Freight & Courier Services: Guam
is well represented by some of the
largest air courier companies in the
world, including:

DHL – Guam office
Tiyan Parkway
Tamuning, Guam 96913
P: 646-1765/84
F: 646-9354
E: gumtrc@dhl.com
W: www.dhl-usa.com

Fedex Express
278 Guerrero Drive (Pick-A-Nail Rd.)
Tamuning, Guam 96913
P: 648-4000
F: 648-0125
W: www.fedex.com/gu

TNT Express Worldwide
Ambyth Air Logistics – Agent
193 Rojas Street
Tamuning, Guam 96913
P: 671-647-8000
F: 671-647-1116
E: tntgum@ambyth.guam.net
W: ambyth.guam.net/air_logistics.htm

UPS
J.L. Baker & Sons - Authorized Service
Partner
131 JL Baker St.
Harmon Ind. Park
P: 649-2877/4877
F: 649-4885
E: upsops@jlbakerguam.com
W: www.ups.com

Source: www.guamphonebook.com

d.) Freight Forwarding Services: Small and
growing businesses, that do not ship full
containers of goods and/or use air freight
services, rely on freight forwarding and
cargo handling companies for their com-
mercial transportation needs. In addition
to Guam's tourism based economy,

anchored by the stability of the American
flag, and it's close proximity to Asia,
Guam also has the commercial infrastruc-
ture capable of supporting a wide range
of industries and business activities. This
places Guam in a unique and strategic
role as an "Asian tiger with American
stripes." For this reason, the number of
firms serving Guam's freight forwarding
and cargo handling continues to grow
and expand, and includes the following
companies:

**Aduana International Freight Forwarding
Services, Inc.**
Unit #7 Aspac Warehouse
Chalan Suede Rd. Harmon Industrial Park
P: 646-4011/888-5301/888-5071
F: 646-4012
E: aduanaguam@netpci.com
W: www.aduanaintl.net

American Moving & Storage
130 Skyline Lane
Tamuning, Guam 96913
P: 649-6683
F: 649-7447
W: www.americanmoving.net

Approved Forwarders
165-I Guerrero Street #100
Harmon Industrial Park
Tamuning, Guam 96913
P: 646-0015
F: 646-0004
W: www.approvedforwarders.com

Cargo Express Inc.
P: 649-5221/25/26
F: 649-6470
E: ceigum@cargoexpressi.com
W: www.cargoexpressi.com

CTSI Logistics
Industrial Center
278 Guerrero Drive
Tamuning
P: 646-2874/53/54
F: 646-2855
W: <http://www.ctsi-logistics.com/guam/>

Dewitt Moving & Storage Guam
165-I Guerrero St. Suite 100
Tamuning, GU 96913
P: (671) 648-1800
F: (671) 646-0034
W: www.dewittguam.com

DGX Inc Ocean/Air Freight
P.O. Box 25089
GMF, Guam 96921
P: 649-3333
F: 649-7777
W: www.dgxshipping.com/locations.cfm

Guam JRC Logistics
PO Box 315273
Tamuning, Guam 96931
P: 647-0263
F: 649-0266
E: jrcgum@teleguam.net
W: www.jrcsaipan.com/offices.html

Guam Transport & Warehouse (GTW)
General Agent for Meridian IQ
PO Box 7869 Tamuning,
Guam 96931
P: 646-4665/66/87/89
F: 646-1808
W: www.guamfreightservice.com

J.L. Baker & Sons
131 J.L. Baker Street
Harmon Industrial Park
P: 649-0934/5702/8663
P: 646-8663
F: 646-8904
E: jlbaker@jlbakerguam.com
W: www.jlbakerguam.com

Lemm International Logistics, Inc.
136D Kayen Chando Suite A-10 PMB 646
Dededo, Guam 96929
P: 647-5366/7
F: 647-5368
E: lemmintlog@teleguam.net

Norton Lilly Intl Inc
1052 Cabras Highway, Suite 101
Piti, Guam 96915 Guam 96921
P: (671) 475-4654
F: (671) 475-4653
E: guam-ops@nortonlilly.com
W: www.nortonlilly.com

Pacific Island Movers
31 Taitano Road
Harmon, Guam 96911
P: 646-5865
F: 649-9156
E: pim@guam.net
W: www.pacificislandmovers.com

Triple B Forwarders
P.O. Box 9249
Tamuning, Guam 96931
P: 649-0900
F: 649-0546
W: www.tripleb.com/locations.htm#guam

Transcontainer
130 Skyline Lane
Tamuning, Guam 96913
P: 649-2267
F: 649-7447

Source: www.guamphonebook.com

11. Quick Links

11.1 ABOUT GUAM

Information on **Guam's history, culture, attractions, and activities:**

www.visitguam.org

Compiled by Rudolph Villaverde at the University of Guam, this was the first comprehensive website established as a resource for the people of Guam. Originally established for the Government of Guam, this houses a **unique collection of images and information on the history, culture and people of Guam:**

<http://ns.gov.gu/>

Although the information on this website was compiled some time ago, and has not been updated, it continues to serve as a **useful bibliography and reference source for information on the history, culture and people of Guam:**

www.freewebs.com/allthingsguam/virtualhistorytextbook.htm

There are also a number of **useful, diverse links to information about Guam at:**

www.guam-online.com/links

General Guam reference guide (with specific reference to the Government of Guam):

www.guam.gov/index.php

Office of the Governor:
www.guamgovernor.net

Guam Legislature:
www.guamlegislature.com

Guam's representative in the US Congress:
www.house.gov/bordallo

Mayor's Council of Guam:
www.mayorscouncilofguam.org

Unified Courts of Guam:
www.guamsupremecourt.com

Federal District Court of Guam:
www.gud.uscourts.gov

Guam Department of Education:
www.gdoe.net

Department of Defense Education Activity (DoDEA):
www.pac.dodea.edu/aboutus/contacts/ContactSchools.htm

Guam's Private Schools:
en.wikipedia.org/wiki/List_of_schools_in_Guam

Guam Community College (GCC):
www.guamcc.net

University on Guam (UOG):
www.uog.edu

Guam Department of Labor:
www.guamdol.net

2007 Economic Census on Guam
guamdol.net/BLS/2007_Economic_Census_of_Island_Areas_Guam_Rev060109.pdf

Guam Annual Census of Establishments: 1993 – 2008:
www.guamdol.net/BLS/ACE_Official_Release_013009.pdf

Guam Current Employment Statistics Historical Tables 1993-2009:
guamdol.net/content/view/358/226/

2000 Census of Population and Housing for Guam:
www.census.gov/prod/cen2000/island/GUAMprofile.pdf

Guam Memorial Hospital:
www.gmha.org

Naval Hospital Guam:
www.med.navy.mil/sites/usnhguam

11.2 BUSINESS PLANNING

Searchable database of the laws of Guam (also known as the Guam Code Annotated, GCA):
www.guamcourts.org/justicedocs/

Bills and public laws submitted and passed by the Guam Legislature:
www.guamlegislature.com/index.htm

Various forms by agency that may be required to be submitted to the Government of Guam:

www.govguamdocs.com/index.htm

11.3 SETTING UP A BUSINESS

Guam Department of Revenue and Taxation:
www.guamtax.com

Business License Fees:
www.guamtax.com/fees/blb_2007.html

To apply for an Employer Identification Number (EIN):
www.irs.gov/businesses/small/article/0,,id=98350,00.html

Information on the use of copyright:
www.copyright.gov

Information on the use of trademarks:
www.uspto.gov/web/offices/tac/doc/basic

Information on the use of patents:
www.uspto.gov

11.4 BUSINESS TAXATION

Guam Department of Revenue and Taxation:
www.guamtax.com

US Internal Revenue Service:
www.irs.gov

11.5 SOURCES OF BUSINESS FINANCE

Bank of Guam:
www.bankofguam.com

Bank of Hawaii:
www.boh.com

BankPacific:
www.bankpacific.com

Citibank:
www.citibank.com.gu

Citizens Security Bank-ANZ:
www.anz.com/guam

First Hawaiian Bank:
www.fhb.com

Oceanic Bank:
www.alliedbank.com.ph/insidesection.php?level=2&secid=94&secpid=2

Finance Factors:
www.financefactors.com/

Community First Federal Credit Union:
www.communityfirstfcu.com

Government of Guam Employees Federal Credit Union:
www.ggefcu.com

Pacific Islands Development Bank:
www.pacificidb.com

Guam Economic Development Authority:
www.investguam.com

11.6 BUSINESS INCENTIVES

U.S. SBA – Guam Branch Office:
www.sba.gov

Guam Economic Development Authority (GEDA)
www.investguam.com

USDA Rural Development - Guam Office:
www.usda.gov

USDA FSA - Guam Office:
www.fsa.usda.gov

Foreign Sales Corporations (FSC's):
www.govguamdocs.com/revtax/index_revtax.htm

General Headnote 3(a):
www.investguam.com

U.S. Generalized System of Preferences (GSP):
www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp

11.7 BUSINESS ASSISTANCE

Guam Small Business Development Center (Guam SBDC)
www.pacificsbdc.com

University of Guam Pacific Center for Economic Initiatives (PCEI)
www.uogonline.com/pcei

USA Small Business Administration
www.sba.gov

Online Assistance through the Service Corps of Retired Executives
www.score.org

11.8 FEDERAL CONTRACTING IN GUAM

Central Contractor Registration (CCR)
www.ccr.gov

Dun & Bradstreet
www.dnb.com.au

Federal Business Opportunities
www.fbo.gov

Federal Procurement Data System
www.fdps.gov

Searchable database of each Federal award, providing the amount, name and location of the receiving entity, transaction type, funding agency, etc

www.usaspending.gov

Federal Acquisition Regulations (FAR)
www.acquisition.gov/far

Defense Contract Audit Agency (DCAA)
www.dcaa.mil/

General Accounting Office
www.gao.gov/new.items/d09500r.pdf

11.9 OPERATING IN GUAM

Guam Department of Labor
www.guamdol.net

Guam Environmental Protection Agency:
www.gepa.guam.gov

Guam International Airport Authority:
www.guamairport.com

Port Authority of Guam:
www.portofguam.com

Guam Chamber of Commerce
www.guamchamber.com.gu

Guam Visitor's Bureau
www.visitguam.org

Maila Halom - A general guide to living on Guam:
www.guampdn.com/guampublishing/special-sections/mailahalom08

ABC 7 TV
www.abc7guam.com

KUAM TV:
www.kuam.com/bm/news

Marianas Business Journal:
www.mbjguam.net

Marianas Variety:
www.mvarietynews.com

Pacific Daily News
www.guampdn.com

Sorenson Media Group:
www.pacificnewscenter.com

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*The Only Push-To-Talk
Android in the World*



Motorola Backflip



GSM

buddy
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