

Guam

Business Resource Guide

A publication provided by the
University of Guam Small Business Development Center
and the
Pacific Center for Economic Initiatives



1. Introduction

Welcome To The Guam USA Business Resource Guide!



We hope you find this Guam Business Resource Guide a useful tool for your company, whether large, small, locally or foreign-owned. You will find in this guide a valuable listing of locally available business resources and their contact information. This is provided to help facilitate the liaisons and networks you will want to establish as a business owner on Guam.



Businesses on Guam must comply with both United States federal regulations and local regulations of Guam. It is very important that each business meet all applicable requirements of all laws applicable on Guam.

Guam welcomes you to its business community. You will find that operating a company here can be a rewarding and profitable experience. With proper planning, sound management and appropriate level of investment, your business has the potential to prosper and grow.



*This book is available at quantity discounts
for bulk purchases.
For information call (671) 735-2590.*

Visit our home page at <http://www.pacificsbdc.com>.



This guide is provided for you by the Guam Small Business Development Center 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 by the U.S. Economic Development Administration (EDA). (SBA and EDA funding are not an endorsement of any products, opinions or services. EDA and SBA funded programs are extended to the general public on a non-discriminatory basis.)

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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) which provides business counseling and training to prospective and existing businesses around the region. It is the PISBDCN's mission to support the growth and economic development of the U.S. affiliated pacific islands in the western pacific region by providing high quality one-on-one confidential counseling and training to existing and prospective small businesses. For more information about our network and programs, please visit our website at www.pacificsbdc.com or contact any of our service centers around the region:

Guam SBDC

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

Chuuk SBDC

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Weno, Chuuk FM 96942
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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
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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). It intends to help build local entrepreneurship and local information resource capacity.

As part of its comprehensive approach towards entrepreneurship and economic development in the regional areas, the center serves the Commonwealth of the Northern Mariana Islands (CNMI), the Federated States of Micronesia (FSM), Guam, the Republic of Palau, and the Republic of the Marshall Islands (RMI). It is aligned with the University's land-grant outreach mission to support economic development on Guam and the neighboring region.

In partnership with the UOG Cooperative Extension Services' Economic Community Systems and the Pacific Islands Small Business Development Center Network (PISBDCN), and housed within UOG's School of Business and Public Administration, UOG PCEI serves as a reservoir for:

- ◆ Accessible secondary and post-secondary entrepreneurship education
- ◆ Adult 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
- ◆ Readily accessible information through its resource database



Target Initiatives

In order to build and sustain a culture of entrepreneurship for 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 (PISBDCN);

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;

Consolidate links for electronic downloadable local resource information for one-stop small business access.

Table Of Contents

1. INTRODUCTION		
1.1 Guam Small Business Development Center	2	
1.2 Pacific Center for Economic Initiatives	3	
2. ABOUT GUAM		
2.1 Economic Overview	5	
2.2 Historical Summary	5	
2.3 Government/Political/Judicial	5	
2.4 Education	6	
2.5 Healthcare	6	
3. YOUR BUSINESS PLAN		
3.1 The Basics	7	
3.2 A Sample Plan Outline	7	
3.3 Details of The Plan	8	
3.3.1 Table of Contents	8	
3.3.2 Business Description	9	
3.3.3 Marketing Plan	9	
3.3.3.1 Industry Profile	9	
3.3.3.2 Competitive Analysis	10	
3.3.3.3 Target Market/Customer Profile	10	
3.3.3.4 Market Demographics/Size	10	
3.3.3.5 Marketing Strategy/Market Share	10	
3.3.4 Operating and Control Systems	10	
3.3.4.1 Personnel	10	
3.3.4.2 Production/Service Methods	10	
3.3.4.3 Quality Control	11	
3.3.4.4 Facilities	11	
3.3.4.5 Billing & Collection	11	
3.3.4.6 Recordkeeping	11	
3.3.5 The Financial Plan	11	
3.3.6 Request For Financing	12	
3.3.7 Your Financial Statements	13	
3.3.8 Attachments	15	
4. SETTING UP YOUR BUSINESS		
4.1 Legal Structure Of Your Company	16	
4.1.1 Sole Proprietorship/Partnership	16	
4.1.2 Corporation	16	
4.1.3 C and S Corporations	16	
4.1.4 LLCs/LLPs	17	
4.1.5 Liability Issues	17	
4.1.6 Business Structure Chart	18	
4.1.7 List of Guam Business Attorneys	19	
4.2 Getting A Business License	20	
4.2.1 Where To Go	20	
4.2.2 Necessary Paperwork	20	
4.2.3 Government Clearances	20	
4.2.4 Employer Identification Number	20	
4.2.5 On-Line Business License Information	20	
4.2.6 One-Stop Center for Building Permits & Inspection	20	
5. BUSINESS TAXATION ON GUAM		
5.1 Guam Tax Structure	21	
5.2 Gross Receipts Tax	21	
5.3 Individual, Payroll or Personal Income Tax	21	
5.4 Social Security Tax	22	
5.5 Corporations Tax	22	
5.6 Real Property Tax	22	
5.7 Other Taxes or Duties	23	
5.8 Foreign Sales Corporations (FSC)	23	
6. FINANCING YOUR BUSINESS		
6.1 List of Guam Financial Institutions	24	
6.1.1 FDIC Institutions	24	
6.1.2 Credit Unions	24	
6.1.3 Alternative Financing Sources	25	
6.2 List of Accounting, Bookkeeping & Tax Services	26	
6.3 Small Business Loans	27	
6.4 SBA Financing	27	
6.4.1 SBA 7(a) Program	27	
6.4.2 SBA Express	27	
6.4.3 The SBA Loan Process	28	
6.4.4 How You Can Use Your SBA Loan	28	
6.4.5 Terms, Interest Rates and Feeew	28	
6.4.6 Collateral	28	
6.4.7 Eligibility	28	
6.5 SBA Express Loan	28	
6.6 SBA Patriot Express Pilot Loan Initiative	29	
6.7 USDA-FSA Financial Assistance	29	
7. DEVELOPMENT ASSISTANCE		
List of Guam Resources		30
8. BUSINESS INCENTIVES ON GUAM		
8.1 Qualifying Certificates	32	
8.2 Insurance Companies	32	
8.3 Guam Based Trusts	32	
8.4 Foreign Sales Corporations	32	
8.5 General Headnote 3(a)	33	
8.6 Guam Product Seal	33	
9. FEDERAL CONTRACTING ON GUAM		
9.1 Basics	34	
9.2 Prerequisites	34	
9.3 Contractor Responsibilities	35	
9.4 How The Government Buys	36	
9.5 Contracting Methods	36	
9.6 Simplified Procedures	36	
9.7 Sealed Bidding	36	
9.8 Contract Negotiation	36	
9.9 Consolidated Purchasing Program	37	
9.10 How SBA Can Help	37	
9.10.1 8(a) Program	37	
9.10.2 HUB Zone Program	38	
10. OPERATING ON GUAM		
10.1 Employees	39	
10.2 Networking and Marketing on Guam	42	
10.3 Customer Service On Guam	43	
10.4 Supply Chain Management	44	
10.4.1 Air Cargo	44	
10.4.2 Shipping	45	
11. REFERENCES AND SOURCES		46

2. About Guam

2.1 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.

As the future relocation site for more than 8,000 Marines from nearby Okinawa, Guam's economy is on the rise. Real estate and construction are moving into high gear, while other businesses are positioning themselves to serve the growth of the military community.

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

2.2 HISTORICAL SUMMARY

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 region of the world.

The island has survived many occupations, first by the Spaniards from the 1500s to the late 1800s, when it was ceded to the United States of America following the Spanish -American War. In 1941, Japan invaded Guam and occupied the territory until 1944, when the Americans liberated the island.

Since the liberation of Guam, the island has flourished. Today, it is home to an established U.S. government system, thriving business community, growing military commands, world class telecommunications, and a burgeoning tourism industry.

2.3 GOVERNMENT, POLITICAL, AND JUDICIAL SYSTEMS

Office of the Governor

Guam has a governor and lieutenant governor elected for a four-year term. The current governor is the Honorable Felix P. Camacho and the Lieutenant Governor is The Honorable Mike Cruz, M.D..

For information about initiatives by the current administration, please refer to:

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.

To learn more about the individual senators, the legislative calendar, proposed legislation, and specific contact information, please visit

www.guamlegislature.com. Additional contact information: Guam Legislature, 155 Hessler Place, Hagåtña, Guam 96910, Hours of Operation: Mon-Fri / 8:00 a.m. to 5:00 p.m. Tel No: (671) 472-3580

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 and appointed council. Mayors and vice mayors are responsible for assuring that service and benefits are delivered and provided to the municipalities, and that these services are distributed equally. These services include, but are not limited to: senior citizen and youth activities and facilities, public health and welfare, public security, beautification, village streets, and parks. Businesses considering locating in a certain village should consider paying a visit to the Office of the Mayor to gain information about ways the business can best establish itself in the community.

To learn more about Guam's villages and their mayors, visit www.mayorscouncilofguam.org. Additional contact information: 215A Chalan Santo Papa, Guite 111F J&G, Commercial Center, Hagåtña, Guam 96932. Telephone: (671) 472-6940, 477-8461. Facsimile: (671) 477-8777.

2. About Guam



2.4 EDUCATION

The Guam Public School System is a single unified school district consisting of grades Kindergarten through 12 with twenty-five elementary schools, seven middle schools, four high schools and an alternative school that serve over 30,000 students. There are 21 private schools, a community college and four-year accredited university on Guam which are patterned after school systems in the continental United States. Public schools are accredited by the Western Association of Schools and Colleges.

For further information about public schools, visit: www.gdoe.net.

2.5 HEALTHCARE

The Guam Memorial Hospital's bed capacity is currently 208 beds; 159 acute care beds, 16 bassinets, and 33 long-term beds located in its Skilled Nursing Facility.

The hospital provides all customary acute care services and certain specialty services. These include adult and pediatric medical services; inpatient and outpatient surgery; intensive care (neonatal, pediatric and adult); skilled nursing care; laboratory and comprehensive 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.

Other modalities available on site include MRI and a catheterization lab. The hospital currently has the capability of tele-radiology for CT scans to allow discussion of cases with Hawaii physicians via a tele-network. Cardiac diagnostic studies can also be performed at GMH then reviewed by a cardiac intervention list or surgeon for possible treatment.

GMH is presently certified by the Centers for Medicare and Medicaid Services (CMMS) formerly known as the Health Care Financing Administration (HCFA), and its Blood Bank is accredited by the American Association of Blood Bank (AABB). Its mammography machine is also certified by the American College of Radiology.

For a full listing of medical and dental service providers, visit www.guamphonebook.com

Judicial System

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. The entire system is run by the Unified Judiciary Committee, which is composed of the three justices of the Supreme Court and two judges of the Superior Court. Guam's judges and justices are appointed by the Governor and confirmed by the Legislature.

For more information about Guam's Judicial System, please visit www.justice.gov.gu. Additional contact information: Judiciary of Guam, 120 West O'Brien Drive, Hagatna, Guam 96910. Supreme Court of Guam Telephone: (671) 475-3413 Facsimile (671) 475-3140, website:

www.guamsupremecourt.com, Superior Court of Guam Telephone: (671) 475-3544, Facsimile (671) 477-3184.

3. Your Business Plan

3.1 THE BASICS

A business plan is a statement of what the business is, how it operates, how it is managed, how it interacts in 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 safely. The business plan is a planning tool that details the goals of the business and gives the owner a path to follow. It can help the owner make judgments and decisions by forcing consideration of all the important areas of business operation. In addition, a business plan is almost always required by lenders considering a business loan request.

Lack of planning is often the cause of serious business problems or outright failure. Poor management and planning are estimated to account for over 90% of business failures. The most common mistakes made are: poor initial planning; not understanding market position; not knowing costs; not properly pricing; not planning cash flow in advance; not monitoring financial position at all times; not controlling costs; and, not planning and managing growth.

3.2 SAMPLE BUSINESS PLAN OUTLINE

The following is a sample business plan outline followed by descriptive detail for each section. The outline itself is a very detailed guide to assist Guam's Small Business Development Center Clients in preparing one of the most important business documents for their business, large or small. I



SAMPLE BUSINESS PLAN OUTLINE

EXECUTIVE SUMMARY

TABLE OF CONTENTS

THE BUSINESS DESCRIPTION

- ◆ Name, Address, Type of Business
- ◆ Date Founded, By Whom, Why
- ◆ Form and Ownership
- ◆ Mission Statement, Business Goals
- ◆ Key Officers, Management
- ◆ Products/Services Offered
- ◆ Markets/Customers Served
- ◆ Distribution of Products/Services

THE MARKETING PLAN

- ◆ Industry Profile
- ◆ Competitive Analysis
- ◆ Products/Services Differentiation
- ◆ Target Market/Customer Profile
- ◆ Market Demographics/Size
- ◆ Marketing Strategy/Market Share

OPERATING AND CONTROL SYSTEMS

- ◆ Personnel
- ◆ Production/Service Methods
- ◆ Quality Control
- ◆ Facilities
- ◆ Suppliers
- ◆ Billing/Collection Policies and Procedures
- ◆ Recordkeeping Policies and Procedures

THE FINANCIAL PLAN

- ◆ Historical Financial Statements
- ◆ Current Balance Sheet
- ◆ Pricing Strategy, Gross Profit Margin
- ◆ Break-even Analysis
- ◆ Projected Cash Flow, Income Statement and Balance Sheet Projections
- ◆ Forecasting Assumptions
- ◆ Risk Analysis and Alternative Plans of Action

REQUEST FOR FINANCING

- ◆ Amount, Purpose of Request, Collateral
- ◆ Sources and Uses of Funds
- ◆ Repayment Plan
- ◆ Debt Repayment Contingency Plan

ATTACHMENTS

3. Your Business Plan

3.3 DETAILS OF THE PLAN

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. An executive summary should briefly describe the company, the product or service, and the unique opportunity your company is offering. It should also provide a short description of your key management team members and an outline of the investment you are seeking. Don't forget to tell the reader why you need the money and how and when they can expect to be paid back!

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. Use words that command attention, and that get your reader excited about the opportunity you are presenting within the business plan.

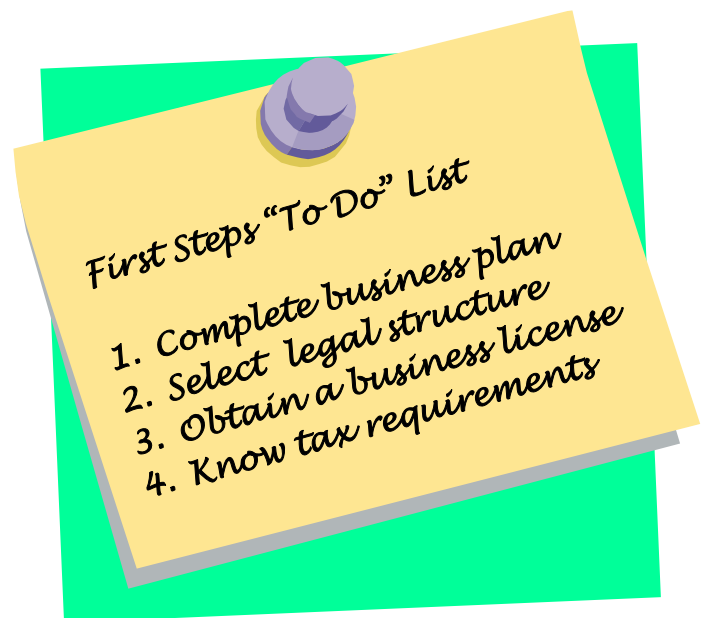
Limit the length of your executive summary to no more than 2 to 3 pages and stick to the facts. Investors are searching for evidence that justifies the soundness of your opportunity, and that gets them excited about what you intend to achieve. If your executive summary is clear and concise, you are one step closer to impressing your reader, and on your way to a terrific business plan.

The following are several common mistakes that lessen the effectiveness of your executive summary: (1) Lacking a specific focus (2) Too long and wordy, and failing to get to the point (3) Trying to be all inclusive (it should be a powerful summary) (4) Failing to demonstrate a special or unique opportunity (5) Failing to outline the terms of the investment sought (6) Failing to generate enthusiasm in the reader

Some suggestions to combat these problems: - Limit your executive summary to a maximum of 3 pages (at the very most). If possible, attempt to present your executive summary on a single page. - 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. Attempt to use only concrete facts and figures that explain your business concept, market niche and financial projections.

Don't forget to include the details of your investment (the amount you need, what you will spend it on, and the return you offer your investor). Also consider who your reader is most likely to be, why they are reading your business plan, and the response you hope to generate.



3.3.1 Table of Contents

A well-designed table of contents ensures that the readers of your business plan don't waste time searching through your plan for the information they are most interested in. Very few investors will read your plan from front to back. Instead, they will normally jump around looking for the details they need to make an informed investment decision. Keep this in mind when you create your table of contents, and organize it to make it as easy as possible for readers to find their way around your plan.

BizPlanIt.Com suggests inserting the table of contents immediately after the executive summary in your business plan. Most readers will start with your executive summary, and then want to locate specific information that they want to address

3. Your Business Plan

first. Your table of contents should list all the major sections within your business plan, and can also be broken down into important or clarifying subsections. Be sure to include a page number for each section and subsection. Possible numbering systems include simply numbering the pages in sequence or a sub-section system such as:

Company Description A
Legal Description A-1
History A-2
Current Status A-3

This format may provide better organization for a lengthy or complex plan. The table of contents should be completed after the rest of your business plan is finalized. Make sure your table of contents page is organized, clear, neat, and properly numbered. Mistakes, sloppiness, or misspellings in the table of contents give your reader the impression that you are unorganized and careless.

3.3.2 The Business Description

Name and Address of Business and Owner, Type of Business

The exact legal name of the business and the physical address and general location of the business. Is the business primarily engaged in wholesale or retail trade, service, manufacturing, agriculture/forestry/fishing, construction or transportation?

Date Founded, By Whom, Why Form and Ownership

What is the legal form of the business and who owns it?

Mission Statement, Business Goals

The mission statement is 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 is the business' marching orders. The mission statement can include: the purpose for which the company exists; what the company does; the company's goals; quality; its role in the community; ethical practices; profitability; customers; shareholders; the environment. Business goals should be summarized for one, three and five years.

Key Officers, Management

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 the job done and done well. Include resumes and job descriptions of all key employees in the business in the Appendix.

Products/Services Offered

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

Markets/Customers Served

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

Distribution of Products/Services

How does the product/service reach the customer?

3.3.3 The Marketing Plan

The marketing plan is the critical link between product/service and customers. Oftentimes, 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 purchase the product/service to repay debt. A clear cut delineation 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.

3.3.3.1 Industry Profile

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 or two, several, many)? What is the size of this industry (an indicator of size such as \$ volume of sales, number of households reached, etc.)? What are the growth trends and product/service outlook for this industry? What are the profitability characteristics of this industry (high or low margins, high overhead, high capital investment)? Will this particular product/service have any impact on the industry?

3. Your Business Plan

3.3.3.2 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 attached to summarize the competitive analysis.

The relationship of supply and demand will affect the entire marketing plan in that high demand coupled with low supply usually indicates fewer competitors and lower marketing costs. Caution must be exercised to scan the current environment because new entrants will be drawn to the marketplace and their presence will change the market and affect the profit and cost dynamics of the product/service.

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

What is different about the business from other competing businesses? Successful businesses provide something that is unique. The various ways products/services are differentiated include: higher quality; better customer service; quality; responsiveness; safer/healthier; more attractive; more convenient; lower cost.

3.3.3.3 Target Market/Customer Profile

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

3.3.3.4 Market Demographics/Size

How large is the market (population, number of businesses)? What are the growth trends and potential for the market? Are there any market concentrations?

Demographic information is usually available from county and city planning offices census data. This information includes the number of persons in age ranges, income levels, education levels, in households, residences, etc.

3.3.3.5 Marketing Strategy/Market Share

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? It is important that all promotional activities be consistent with the position and image of a business. What will the company do in terms of public relations?

3.3.4 Operating and Control Systems

This section of the business plan describes how the business will internally function in order to produce, deliver, monitor its products/services and the subsequent results. According to one well-respected national business consulting firm, "one mark of the incompetent entrepreneur is a disdain for all the details involved in operating a business and controlling its activities." Without operating and control fully thought out and presented in the plan, a financier and/or investor will question whether the business can actually realize the goals set out in the business plan.

3.3.4.1 Personnel

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

3.3.4.2 Production/Service Methods

How is the product/service actually produced? To illustrate the process, a day in the life of the company can be depicted from opening to closing. How is service performed? Do the clients come to an office or vice performed on the customer's site? What are the hours the business is open?

3. Your Business Plan

3.3.4.3 Quality Control

How will consistent quality of product and service delivery be assured? What specific quality control measures will be implemented?

3.3.4.4 Facilities

Describe the physical facilities in which the business will be located. Is it owned or leased? What are the terms (price and duration) of the lease? What is the square footage and age of the building? 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 adequate for intended usage? Is there adequate parking and street access?

3.3.4.5 Billing and Collection Procedures

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? Describe collection procedures. Who is responsible for billing receivables and for collections?

3.3.4.6 Recordkeeping Policies and Procedures

Business owners are responsible for maintaining a universally accepted method of recordkeeping. The system should be simple to use, accurate, timely, and consistent. It provides business management information for the owner but must also be designed for understanding by others with an interest in the business -- 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 use professional recordkeeping outside services? If so, from whom and what aspects of business recordkeeping do they 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?

3.3.5 The Financial 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 investments and financing. The thoroughness of the financial plan will indicate to the reader that the business will be well managed. 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 future cash positions.

The cash flow projections and analysis are the most important section of the business 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 overhead and the actual receipt of cash from sales. "Profits are great, but cash pays the bills." Cash flow planning is simple in concept, but involved considerable effort to develop. Time is the critical ingredient in cash flow planning. The company may have considerable 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 either with equity or debt.

3.3.5.1 Historical Financial Statements

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 spread and analyze these statements and use the as a basis for evaluating the cash flow projections, break-even analysis and 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.

3. Your Business Plan

3.3.5.1.1 Current Balance Sheet

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 Balance Sheet. Discuss significant balance sheet items.

3.3.5.1.2 Pricing Strategy

Pricing is the single most important factor affecting profits. Pricing a product/service includes consideration assumptions:

- ✓ 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
- ✓ it is a criteria by which consumers evaluate the product/service

Pricing must be adequate to return a profit to company owners and investors. Pricing is not done in a vacuum; price is what a business gets not what it wants. The prices of other products/services limit pricing freedom.

3.3.5.1.3 Break-even Analysis

How many units must be sold to cover all costs? A break-even analysis pinpoints how changing prices, increasing or decreasing expenses will affect profitability and unit sales. A break-even analysis tests the feasibility of achieving the level of unit sales necessary to pay for all costs.

- ✓ Break-even in units is calculated:
- ✓ Break-even units = total fixed costs / (unit sales price - unit cost of goods sold)
- ✓ Break-even dollars = break-even units x selling price
- ✓ Break-even sales revenue = total fixed costs / gross profit margin percentage

3.3.5.1.4 Projected Cash Flow Projections, Income Statements and Balance Sheets

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 to four years, check with your local bank for their requirements.

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 arrange for cash infusions in advance because financing and equity may not be available on short notice.

3.3.5.1.5 Forecasting Assumptions

No reader can understand any 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 research in the marketing plan, the projections are likely to be accepted by lenders and investors.

3.3.5.1.6 Risk Analysis and Alternative Plans of Action

What steps will be taken if some or all of the assumptions in the plan change? There are always differences between a plan and what actually happens in the business and the business needs to be flexible and quickly adapt to changes in the marketplace. By careful, thorough planning, big surprises can be avoided, but uncontrollable external factors (oil shortages, drought) 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? Consumer preferences shift: how can the product/service be adapted to meet new/changing needs?

3.3.6 REQUEST FOR FINANCING

3.3.6.1 Amount, Purpose of Request, Collateral

How much money does the business need to borrow? What is the purpose of the borrowing? What are the business and owners offering for collateral to secure the loan and the estimated value of the collateral?

3.3.6.2 Sources and Uses of Funds

To undertake any business venture, funding is required. Sources of funding usually come from two places: a lender and the business owner (equity). What are the total costs of the project? How much equity will be put into the project?

3.3.6.3 Repayment Plan

How long will it take the business to repay the debt? What are the requested repayment terms? The projected cash flow spreadsheets should show that the business is generating enough cash to repay monthly principal and interest according to the debt amortization schedule.

3. Your Business Plan

3.3.7 YOUR FINANCIAL STATEMENTS

As discussed in the business planning section, you will need to supply certain financial documents to submit a successful application for financing assistance. You will need to have copies of the financial statements and income tax filings for the past three years. If you are a new company, the financing institution will want to see *pro forma*, or anticipated, figures for your company's balance sheet, profit and loss statement, and cash flow projections.

3.3.7.1 Balance Sheet Information

The balance sheet shows the overall financial health of a business. An easy way to describe the balance sheet is to point out the financial well being of the company by subtracting the liabilities from all the assets. The remaining difference is the equity or net worth. The net worth shows, in part, the current strength of the organization.

A high net worth means a stronger foundation than a low net worth. A high net worth equates to a lower level of risk to the organization.

The reason that this statement is called a balance sheet is that both sides of the statement **MUST** balance. In other words, **Assets = Liabilities+Equity**. The left hand side of the balance sheet lists the assets in the following order:

Current Assets = Cash, Accounts Receivable and other assets that can quickly be converted into ready cash.

Non-Current Assets = Property, Equipment and other long-term assets that are certainly worth something but might take longer to convert to cash.

Other Assets = Goodwill and basically anything that doesn't really fit into one of the other two categories above.

The right hand side of the balance sheet lists the liabilities and equity in the following order:

Current Liabilities = liabilities of the organization that are due within the next 12 months.

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 financial management to keep track of assets and liabilities. And, they should always know the company's current and projected cash positions.



Find sample financial statements completely free on-line!

Visit
www.sba.org
or
www.score.org for:

- ✓ free balance sheets
- ✓ profit & loss statements
- ✓ 12 month cash flow projections

3. Your Business Plan

Non-Current Liabilities = debt which will not become due in the next 12 months.

Equity = this equates to the difference between total assets and total liabilities and may also reveal amounts of equity held in common or preferred stock, treasury stock and retained earnings.

3.3.7.2 Profit and Loss Statement

Your profit and loss statement (also referred to as an income statement) lists your revenues and expenses, and tells you the profit or loss of your business for a given period of time. It is helpful for planning and to help control operations expenses. List monthly projections for the first year and include the following information:

Sales Projections - Include the number of units sold, the retail price, the net price and the gross revenue.

Cost of Goods - Include your cost for manufacturing a single unit including labor and all other indirect costs such as shipping, packaging, etc.

Controllable Expenses - This includes salaries and payroll expenses (benefits, etc.), legal and accounting expenses, advertising and marketing expenses, auto expenses, office supplies, utilities, repair and maintenance, and other outside services. Anything that fluctuates in cost from month to month.

Fixed Expenses - These include office rent, depreciation (amortization of capital assets), loan payments, insurance, licenses and permits, and other fixed monthly expenses.


Once you have these items listed, subtract your total expenses from your gross profit to get your Net Profit (or Loss) before taxes. Enter your tax information and be sure you include all taxes such as sales tax, excise tax, property tax, etc. To arrive at your Net Profit (or loss) after taxes, take the total tax figure and subtract it from your Net Profit (or Loss) before taxes.

3.3.7.3 Monthly Cash Flow Projections


As stated in the business planning section, cash flow management is essential to maintaining business operations. To best prepare for your cash flow needs, and to demonstrate to lenders that you have a sound idea of what your cash needs will be, prepare a monthly cash-flow projection = to summarize your likely income against your certain expenses. It is best to provide a cash flow statement for a twelve month period so that you can plan for the short and long-term. Doing so will help you determine how you should operate each coming month.

There is no need to struggle developing these financial statements. The Service Corps of Retired Executives, a resource partner of the US Small Business Administration, provides excellent templates for the above mentioned financial statements at http://www.score.org/template_gallery.html, and you can source a variety of guidance tools simply by using a web browser to search for information and tips on completing templates of these statements. Remember it is always advisable to have a certified public accountant review your financial statements.

3. Your Business Plan



F.Y.I.



3.3.8 ATTACHMENTS YOU MAY NEED TO SUPPORT YOUR BUSINESS PLAN

- ◆ Loan Application
 - ◆ (personal financial statement and credit history/report)
- ◆ Three years personal tax returns
- ◆ Three years tax returns for business
- ◆ Leases
- ◆ Contracts
- ◆ Letter of Intent to Purchase
- ◆ Business licenses, permits
- ◆ Insurance information
- ◆ Resumes
- ◆ Organization Chart and job descriptions
- ◆ Personal and business references
- ◆ Samples of marketing materials
 - ◆ business cards, brochures, ads, flyers, price lists,
- ◆ Schematic of floor plan, signage
- ◆ picture of business location
- ◆ Product endorsements
- ◆ Proof of fulfilling legal requirements
 - ◆ insurance and authority for transportation businesses
 - ◆ medical license for health care provider
 - ◆ Articles of Incorporation
 - ◆ Corporate By-Laws
 - ◆ Partnership Agreement
 - ◆ Borrowing Resolution

4. Setting Up Your Business

After completing your business plan your next step will be to visit the Department of Revenue and Taxation to register your business and obtain a business license. Before you register and apply for a license, however, there are certain planning steps you must have completed for your company. You will need this information to register and obtain your license.

4.1 LEGAL STRUCTURE OF YOUR COMPANY

To conduct business on Guam, the legal structure of your company is very important. The choice on how to structure your company is usually driven by a number of considerations including management responsibilities, investor's ownership and tax consequences. You may choose to run your business as a sole proprietor, partnership, limited liability company, or corporation.

4.1.1 Sole Proprietorship/Partnership

A sole proprietorship or simple partnership is a business of one or more owners without corporation or limited liability status. The individual(s) represent the company legally and fully. Common proprietorships and simple partnerships include part-time businesses, direct sellers, start-ups, contractors, and consultants. This form of business has several advantages:

Quicker Tax Preparation: As a sole proprietor, filing your taxes is generally easier than a corporation. Simply file an individual income tax return (IRS Form 1040) including your business losses and profits. Your individual and business income are considered the same and self-employed tax implications will apply.

Lower Start-up Costs: Limited capital is a reality for many startups and small businesses. The costs of setting up and operating a corporation involve higher set-up fees and special forms. It's also not uncommon for a lawyer to be involved in forming a corporation.

Ease of Money Handling: Handling money for the business is easier than other legal business structures. No payroll set-up is required. To make it even easier, set up a separate bank account to keep your business funds separate and avoid co-mingling personal and business activities.

There are some disadvantages to a sole proprietorship/partnership that include:

Personal Liability: Your small business in the form of a sole proprietorship is personally liable for all debts and actions of the business. All your personal wealth and assets are linked to the business.

Lack of Financial Controls: The looser structure of a proprietorship won't require financial statements and maintaining company minutes as a corporation. The lack of accounting controls can result in the demise of your small business. No matter the legal structure of your business, take time to set up the proper financial statements for your company.

4.1.2 Corporation

A corporation is a business organization chartered by a state and given many legal rights as a separate entity to limit the liability of its owners. The process of becoming a corporation, called incorporation, gives the company separate legal standing from its owners. There are also different tax implications for corporations, although these can be both advantageous and disadvantageous.

To form a corporation on Guam, by-laws and articles of incorporation are filed with the Guam Department of Revenue and Taxation along with a \$50 filing fee. This establishes your business as a legal entity on Guam and states the name of the corporation, the purpose for which it is formed and its location.

The Department of Revenue and Taxation then issues a Certificate of Incorporation. There can be significant tax consequences to this type of business structure. It is important to seek legal advice as to whether or not incorporation is best for your business.

4.1.3 C and S Corporations

A corporation that elects to be taxed as a corporation is called a "C" corporation. The C corporation pays federal and state income taxes on earnings. When the earnings are distributed to the shareholders as dividends, this income is subject to another round of taxation (shareholder's income).

4. Setting Up Your Business

Essentially, the C corporations' earnings are taxed twice. In contrast, the S corporation's earnings are taxed only once. Unlike a regular C corporation, an S corporation generally pays no corporate income taxes on its profits. Instead, the shareholders in the S corporation pay income taxes on their proportionate shares, called distributive shares, of the S corporation's profits. Shareholders pay the tax regardless of whether the S corporation pays out money or not.

4.1.4 LLCs and LLPs

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.

On Guam, two or more persons may form a limited liability company by executing, acknowledging, and delivering to the Department of revenue and Taxation articles of organization for such limited liability company. The articles of organization are similar to articles of incorporation in that the company name and address, company purpose, etc. are set forth. Pursuant to Guam law, LLC's have a shorter lifespan than corporations. LLC's are easier to establish than corporations, although more expensive, and provide many of the benefits of a corporation.

A Limited Liability Partnership (LLP) is another name used for a Limited Liability Company, often used by professional association. The partner or investor's liability is limited to the amount he/she has invested in the company.

To become and continue as a registered limited liability partnership on Guam, a partnership files with the Department of Revenue and Taxation an application stating, among other things, the name of the partnership, the address of its principal office, and the number of partners. While partnerships are easy to establish, the liability potential should be carefully considered.

Those businesses that will have employees and plan to establish a partnership, LLC or corporation, should consider seeking legal assistance.

4.1.5 Liability Issues:

Regardless of the form of business ownership, both the company's and owner's liability issues must be addressed by the proper use of legal agreements, insurance and bonding.



4. Setting Up Your Business

4.1.6 BUSINESS STRUCTURE CHART

Features of the Major Forms of Business Ownership

Source: www.bizstats.com

Feature	Sole Proprietorship	Partnership	C Corporation	S Corporation	Limited Liability Company
Owner's personal liability:	Unlimited	Unlimited for general partners. Limited for limited partners.	Limited	Limited	Limited
Number of owners:	1	2 or more (at least 1 general partner required)	Any number	Maximum of 75 (with restriction on who they are)	2 or more
Tax Liability	Single tax: Proprietor pays at individual rate	Single tax: Partners pay 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 protection can be established to offset unlimited liability	Low legal compliance; insurance protection can be established to offset unlimited liability	High legal compliance; need to manage to minimize profits and taxation	High legal compliance	High legal compliance; relatively high compliance costs

4. Setting Up Your Business

4.1.7 List of Guam Business Attorneys

Guam attorneys who list themselves as practicing business law are listed below:

Arriola, Cowan & Arriola Law Firm

259 Martyr Street 201
Hagatna, Guam 96910
(671) 477-9730

Butler & Telford Butler Law Offices

American Life Building Suite 203
137 Murray Boulevard
Hagatna, Guam 96910
(671) 475-0200

Calvo & Clark LLP

Attorneys At Law
655 South Marine Corps Drive
Suite 202
Hagåtña, Guam 96910
(671) 646-9355

Carlsmith Ball LLP

Suite 401
Bank of Hawaii Building
134 West Soledad Avenue
P.O. Box BF
Hagåtña, Guam 96932-5027
(671) 472-6813

Ching, Edward (Law Office Of)

Hagåtña, Guam
(671) 472-8868

Civille & Tang P LLC

330 Hernan Cortez Avenue
Suite 200
Hagåtña, Guam 96910
(671) 472-8868

Ecube, Cynthia V. (Law Office Of)

Hagåtña, Guam
(671) 472-8889

Lujan, Aguiqui & Perez, LLP

Attorneys At Law
Suite 300
Pacific News Building
Hagåtña, Guam 96910
(671) 477-8064

Moroni Law Offices, P.C.

Bank of Hawaii Building, Suite 402
134 West Soledad Avenue
Hagatna, Guam 96910
(671) 477-7081

Parkinson, Don

Attorney At Law
(671) 477-2079

Putnam, Ross E.

Attorney At Law
153 Martyr Street
Hagåtña, Guam 96910
(671) 477-4610

Quan & Lopez LLP (The Law Offices of)

324 West Soledad Avenue
Quan Building
Suite 202
Hagåtña, Guam 96910
(671) 479-1000

Teker Torres & Teker, P.C.

A Professional Corporation
130 Aspinall Avenue
Suite 2-A
Hagåtña 96910, Guam
(671) 477-9891

Torres Limtiaco Cruz & Sison, PLLC

777 Route 4
Sinajana, Guam 96910
(671) 477-0000

Van de veld, Shimizu, Canto & Fisher

Attorneys At Law
Suite 101 De La Corte Building
167 East Marine Corps Drive,
Suite 2-A
Hagåtña, Guam 96910
(671) 471-1131

4. Setting Up Your Business

4.2 GETTING A BUSINESS LICENSE

4.2.1 Where to Go

To obtain a business license visit the Guam Department of Revenue and Taxation between 8:00 am and 5:00 pm Monday through Friday at 1240 Route 16 in Barrigada, Guam, and follow the signage to the business licensing department. You will be asked to register your business name and to provide a completed business license application.

4.2.2 Necessary Paperwork

Obtaining a business license for your company on Guam is a relatively simple process, especially for sole proprietorships. Companies structured as a partnership, corporation, or limited liability corporation will need to provide copies of the partnership agreement or articles of incorporation, whichever is relevant, to obtain a license.

4.2.3 Government Clearances

You may be required to visit other government agencies for specific clearances prior to obtaining a business license. The Guam Department of Revenue and Taxation will be able to direct you to the appropriate agency.

Guam EPA is 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, and depending on the type of business you will operate you may be required to obtain a clearance prior to receiving your license. For a detailed explanation of Guam EPA's Water Permits, consult the [Environmental Permit Guidebook](#).

Contact Information: Guam EPA's offices are located in Tiyan, the former Naval Air Station. The Administration Building at 17-3304 Mariner Avenue houses the Administrator, Offices of the Administrator, Administrative Services

Division, and the Environmental Planning and Review Division. The Operations Building at 15-6101 Mariner Avenue houses the Deputy Administrator, the Environmental Monitoring and Analytical Services Division, the Water Programs Division, and the Air & Land Programs Division.

4.2.4 Employer Identification Number

If you have employees or operate as a partnership or corporation, your business will need an Employer Identification Number (EIN). A number of other types of businesses (those dealing with alcohol, tobacco, firearms, trusts, and others also required an EIN. Verify your status at www.irs.gov. An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may [apply online](#).

Contact Information:

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line (800-829-4933). The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistant takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

4.2.5 On-Line Business License Information

For a full list of business license fees and other information on business licensing, visit www.quamtax.com. For further information call (671) 635-1835.

4.2.6 One Stop Center For Building Permits and Inspection

The Government of Guam Department of Public Works operates the One Stop Center where business obtain necessary building permits and inspections needed for most business licenses.

Contact Information:

*One Stop Center
Department of Public Works
542 North Marine Corps Drive
Tamuning, Guam 96913
(671) 646-3104*

5. Business Taxation On Guam

5.1 Guam Tax Structure

The U.S. Congress created the Territorial Government of Guam as a separate taxing jurisdiction by 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)

5.2.1 All businesses conducting a trade or business in Guam are required to have an appropriate Guam business license.

5.2.2 All sales, unless exempted by a provision of the GRT laws, are subject to GRT.

5.2.3 Certain businesses, such as retailers, landlords, and service providers, with gross revenues less than \$500,000 in the preceding tax year qualify for a 50,000 exemption for the current taxable year. A 4% GRT is assessed on revenues in excess of the exemption.

5.2.4 Businesses which qualify for the \$50,000 exemption, and generate sales less than \$50,000, are totally exempt from GRT. A monthly filing of Form GRT is still required.

5.2.5 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.

5.2.6 Wholesalers and certain other taxpayer groups are exempt from GRT. Please refer to Section 7 below, or seek additional information from the Director of Revenue and Taxation.

5.3 Individual, Payroll or Personal Income Tax

5.3.1 Individuals who are bona fide residents of Guam are required to report their income from all sources who computing their Guam taxes. Their income taxes must be paid to the Treasurer of Guam. Non-residents incur an income tax liability to Guam only on income derived from Guam sources. Self-employed individuals attach Schedule C to their individual income tax return,

Form 1040. They also need to file Form 1040-SS and pay self-employment tax to the U.S. Treasury.

Effective for tax years after October 22, 2004, an individual is considered a bona fide resident of Guam and files with Guam if all three tests below are met:

- ✓ the individual is present in Guam for at least 183 days of the tax year;
- ✓ the individual does not have a tax home outside of Guam during the tax year; and
- ✓ the individual does not have a closer connection to the United States or a foreign country during the tax year.

5.3.2 Individual income is progressively taxed at marginal rates ranging from 10% to 35% depending on the employee's pay level and family status (Single, Married Filing Jointly, Married Filing Separately, and Head of Household).

Income taxes are withheld from an employee's wages by the employer. The employer holds these taxes until it is time to deposit them with the government of Guam. Guam's individual tax rates are the same as the U.S. rates, since Guam's tax system mirrors the Internal Revenue Code.

5.3.3 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. An individual may obtain an automatic six months extension to file, if the individual files an application (Form 4868) on or before the due date of the return. Any tax due must be paid with the extension.

5.3.4 Employers are required to file quarterly reports with the Department of Revenue and Taxation. These reports, Form W-1 "Employer's Quarterly Withholding Tax Return" and Form SW-2 "Employer's Quarterly State Wages Report", are due no later than the last day of the month following the end of the calendar quarter (i.e. April 31, July 31, October 31, and January 31).

5. Business Taxation On Guam

Income taxes withheld must be paid to Treasurer of Guam or an authorized commercial bank depository. An employer is either a monthly or a semi-weekly depositor. A monthly depositor is required to deposit each month's taxes on or before the 15th day of the following month. An employer with more than \$50,000 in withholding taxes during the "look-back period" is a semiweekly depositor. Deposits are required by the Wednesday after payday if payday falls on a Wednesday, Thursday, or Friday. The deposit is due by the Friday following the payday for all other paydays.

Penalties and interest are assessed for an employer's failure to make timely deposits.

5.3.5 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 at www.irs.gov/individuals.

If an employee fails to submit Form W-4, the withholding must be computed as if the employee's status was single with no exemptions.

5.4. Social Security Tax (or "FICA taxes")

5.4.1 Social Security payroll taxes are collected under authority of the Federal Insurance Contributions Act (FICA). The payroll taxes are sometimes called "FICA taxes".

5.4.2 The social security tax is withheld by the employer and is paid to the federal government;

5.4.3 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.

5.4.4 A combined tax rate of 7.65% (6.2% for old-age, survivors, and disability insurance (OASDI) and 1.45% for Medicare) is imposed on both employer and employee. The OASDI rate (6.2%) applies to wages within the OASDI wage base, which is \$94,200 for 2006 and \$97,500 for 2007.

The Medicare rate (1.45%) applies to all wages since there is no limit

5.4.5 For individuals who are self employed, they are deemed to be both the employee and employer. The self-employment tax rate is 15.3%. The rate consists of two parts: 12.4% for social security (old-age, survivors, and disability insurance (OASDI)) and 2.9% for Medicare. The OASDI rate (12.4%) applies to net earnings within the OASDI earnings base, which is \$94,200 for 2006 and \$97,500 for 2007. The Medicare rate (2.9%) applies to all net earnings since there is no limit.

5.4.6 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.

Publication 15 and Publication 15A, and other federal tax information, are available at www.irs.org.

5.4.7 Report social security taxes on Form 941-ss, Employer's Quarterly Federal Tax Return and/or Form 943, Employer's Quarterly Federal Tax Return for Agricultural Employees.

Deposit and reporting requirements are identical to those of income tax withholding.

5.5 Corporations Tax

5.5.1 Domestic corporations are those incorporated in Guam. They are subject to income tax, on their income from all sources, at graduated rates from 15% to 34%.

Foreign corporations are incorporated outside of Guam. They are taxed at the regular corporate rates for income effectively connected with a Guam trade or business. A flat 30% rate is applied on Guam to fixed or determinable income which is not effectively connected with a Guam trade or business.

5.5.2 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.

5. Business Taxation On Guam

A corporation may obtain an automatic extension of six months if an application (Form 7004) is filed on or before the due date of the return. Any tax due has to be paid with the extension or the corporation will incur penalties and interest.

5.5.3 Guam corporations may also elect "S" status or choose to become a Limited Liability Corporation ("LLC"). The principal advantage of S and LLC corporations is that Owners and Members respectively pay tax on their proportional share of income earned by the corporation at their individual rate (i.e. no double taxation of company income and individual dividend income).

5.5.4 Rebates are available to some taxpayer groups. Please refer to Section 7 below, or seek additional information from the Director of Revenue and Taxation.

5.6. Real Property Tax

5.6.1 The Assessment Value (or base) for the calculation of Real Property Tax is 35% of the appraised value of land and buildings.

5.6.2 Land - Real Property Tax is calculated at 0.25% of the Assessment Value of land.

5.6.3 Buildings - Real Property Tax is calculated at 1.0% of the Assessment Value of buildings.

5.6.4 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).

5.6.5 Rebates are available to some taxpayer groups. Please refer to Section 7 below, or seek additional information from the Director of Revenue and Taxation.

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

5.7.1 Alcoholic Beverage Tax - \$18 per gallon on distilled beverages (e.g. whiskey); \$4.95 per gallon on wine; \$0.07 per 12 fluid ounces on malted fermented beverages (e.g. beer).

5.7.2 Tobacco Tax - \$5.00 per 100 cigarettes; 10% and \$3.50 per pound for all other tobacco. For cigars, the tax rates will depend on the size: \$0.20 for mini cigars, \$0.22 for standard cigars, and \$0.25 for large cigars.

5.7.3 Liquid Fuel Tax - \$0.10 per gallon for diesel fuel, \$0.04 per gallon for aviation fuel, and \$0.11

per gallon for all other fuels.

5.7.4 Use Tax - Personal property imported into Guam for use or consumption by the importer is subject to a 4% tax on the landed cost, unless exempted by a provision of the Use Tax Law.

5.7.5 Amusement and Recreational Facilities Taxes - An annual amusement tax, in the form of a license fee, is imposed on amusement devices which operate to produce revenues on Guam. The fees, which range from \$25 to \$1,250, will depend on the type of amusement device.

Amusement Tax - \$100 per pinball machine, \$100 per Pachinko or similar machines, \$500 per multiple coin pinball, \$40 for coin-activated phonograph or music producing machine (plus \$15 for each slot in excess of one), \$50 for children's rides, \$1,250 for video horse or greyhound race machine, \$500 per video type amusement machine, \$25 for any additional coins slots on video type amusement machines, \$50 coin operated video amusement machine for use by on children, and \$50 per bowling alley.

An annual excise tax is imposed on the following recreation facilities - bowling alley, golf course, golf driving range, miniature golf course, pool or billiard table, dance hall, and shooting gallery. Recreation Facilities Tax - \$50 per individual bowling alley, \$500 per nine holes in golf course, \$200 per golf driving range, \$25 per pool or billiard table, \$250 per shooting gallery, \$200 per game room, \$200 per go-cart facility, \$250 per off-track racing park, \$100 per Paint Ball Gun Facility, \$100 per Shuffle Board, \$50 per coin operated pool table, \$100 per mahjong table, \$50 per Baseball Batting Cage, \$200 per water park, \$200 per Sling Shot/Bungy, and \$200 for others.

Please note that the Admissions Tax has been repealed.

5.7.6 Hotel Occupancy Tax - 11.0% of hotel room charges.

5.8. Foreign Sales Corporation (FSC)

FSC's which are licensed to do business on Guam may qualify for certain exemptions or rebates of income, real property, gross receipts and use taxes. Information concerning this can be obtained from the Director Revenue and

6. Financing Your Business On Guam

6.1 FINANCIAL AND BANKING SERVICES

6.1.1 Institutions insured by the Federal Deposit Insurance Corporation (FDIC)

Bank of Guam

(671) 472-5300

Guam Branches
Mobile/Food Stamp Santa Cruz Branch (671) 477-7406
Adelup Branch (671) 472-5322
Tamuning Branch (671) 647-2604
Tumon Branch (671) 647-9132
Upper Tumon Branch (671) 647-9145
Harmon Branch (671) 635-2401
Dededo Pay-Less Market (671) 637-7821
Yigo Branch (671) 653-4824
Andersen Air Force Base Branch (671) 653-8371
Mangilao Branch (671) 734-0265
Naval Station Branch (671) 564-2937
Malesso Branch (671) 828-2646
Website
www.bankofguam.com

Bank of Hawaii

Hagatna (671) 479-3500
Harmon (671) 479-3500
Tamuning (671) 479-3500
Website www.boh.com

BankPacific

Agat (671) 565-3592
Hagatna (671) 472-6704
Tamuning (671) 646-7700
Dededo (671) 632-1700
Website www.bankpacific.com

Citibank

402 East Marine Corps Drive (671) 477-CITI
East Hagatna
Website www.citibank.com.gu

Citizens Security Bank

Hagatna (671) 479-9000
Dededo (671) 635-5204
Harmon (671) 646-0881
Tamuning (671) 642-3131

First Hawaiian Bank

Maite Branch (671) 475-7900
Dededo Branch (671) 632-9381
Tamuning Branch (671) 646-7841
Website www.fhb.com

6.1.2 Credit Unions

Community First Federal (671) 472-8210
238 AFC Flores Street Suite 102
Hagatna, Guam 96910

Government of Guam (671) 477-8736
Federal Credit Union

Main Office
121 Robat Street
Hagatna, Guam 96910-2005

Harmon Branch
Route 16
Harmon, Guam 96912

Tamuning Branch
788 South Marine Drive
Tamuning, Guam 96913



6. Financing Your Business On Guam

6.1.3 Alternative Financing Sources

Pacific Islands Development Bank

PIDB promotes investment of public and private capital and finances projects and programs contributing to the development of the Bank's members. Guam is a members state of PIDB.

Contact Information:

GIC Building

Hagåtña, Guam 96910

(671) 477-0047

Website www.pacificidb.com

USDA-FSA Financial Assistance Program

Farm Service Agency (FSA) makes direct and guaranteed farm ownership (FO) and operating loans (OL) to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA loans can be used to purchase land, livestock, equipment, feed, seed, and supplies. These loans can also be used to construct buildings or make farm improvements.

"Direct" farm loans are made by FSA with U.S. Government funds. FSA also services these loans and provide loan customers with supervision and credit counseling so they have a better chance for success. Farm Ownership, Operating, Emergency and Youth loans are the main types of loans available under the Direct program Direct loan funds are also set aside each year for loans to minority applicants and beginning farmers.

Contact Information:

Laurie F Talbo, Farm Loan Specialist

Guam County FSA Office

400 Route 8, Suite 306

Maite, GU 96910

Ph: (671) 472-7359

Fax: (671) 472-7580

Website: www.fsa.usda.gov

Pacific Islands Microcredit Institute at the Guam Small Business Development Center At the University of Guam

Funded by the Bank of Guam and Guam Housing and Urban Development Authority

Serves the Following Communities:

- ✓ Low to Moderate Income Areas (based on U.S. Dept. of HUD requirements)
- ✓ Poverty Level
- ✓ People with Disabilities

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:

- ✓ A completed Application is submitted to PIMI Executive Director.
- ✓ Upon qualification, applicant attends micro-business training at the Guam SBDC.
- ✓ Upon completion of a feasible business plan, participant graduates from the business training program.
- ✓ Participant joins a peer group
- ✓ Peer group grants first loan (all loans are guaranteed by each peer group member.)

Minimum # in Group	For First Loans Less than
✓ 2	\$2,000
✓ 3	\$3,000
✓ 4	\$4,000

- ✓ Peer group is assigned to a Mentor and meets every two (2) weeks.
- ✓ Borrower makes loan payments every two (2) weeks as defined in the Business Plan.

For more information contact:

Denise Mendiola Hertslet

PIMI Executive Director at

735-2594 or denise@pacificsbdc.com.

6. Financing Your Business On Guam

6.2 ACCOUNTING, BOOKKEEPING AND TAX SERVICES

Dozens of international accounting firms and finance firms also call Guam home. Together with banks, Guam's financial institutions offer services your business can rely on including: letters of credit, collections, money transfers, foreign exchange, bank drafts, automated tellers, import/export financing, money markets, real estate appraisals, commercial and residential real estate loans, and complete personal and business banking services.

A.T. Tomada & Associates

505 Harmon Loop Road, Suite 200
Dededo, Guam 96929
(671)637-9091

Acierto Renaldo

Marine Corps Drive
Yigo, Guam 96942
(671) 653-0988

Burger & Comer PC

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

Burgess, Wallace

PNB Building Suite 909
Hagåtña, Guam 96910
(671) 472-6804

Comer, James Stewart

278 South Marine Drive, Suite 104
Tamuning, Guam 96913
(671) 646-5405 (Facsimile)

Clover Accounting Office

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

Deloitte & Touche LLP

361 South Marine Corps Drive
Tamuning, Guam 96913
(671) 646-3276

Ernst & Young LLP

231 Ypao Road
Upao Business Center, Suite 201
Tamuning, guam 96913
(671) 646-5050

Garry Wiggs

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

Grant Thornton

790 South Marine Corps Drive
Tamuning, Guam 96913
(671) 649-3800

H&R Block

107 Crown Plaza
Barrigada, Guam
(671) 734-0830

J. Scott Magliari & Associates

Suite 204 Reflection Center
Hagåtña, Guam 96910
(671) 472-2680/87

Leon Guerrero, Frank B CPA

Jose Q Pangelinan Street
Yona, Guam 96915
(671) 789-1297

Lisheng Xing PC

272 Calle Angel Flores Street
Hagatna, Guam 96910
(671) 472-4545

National Association of State Board

134 West Soledad Avenue
Hagatna, Guam 96910
(671) 475-5000

Sardoma, Pelagio S CPA

JII Building/Johndel
Dededo, Guam 96929
(671) 632-4823

Steffy, Robert J

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

Tomita, Michael S CPA PC

Pacific News Building
Hagåtña, Guam 96910
(671) 477-9677

Wilson, Stanley

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

6. Financing Your Business On Guam

6.3 SMALL BUSINESS LOANS ON GUAM

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. Bank of Hawaii received the honor for 2005 and 2006, and Citizens Security Bank held the distinction for the previous three years. A full list of SBA approved lenders is provided in the previous section.

6.4 SMALL BUSINESS ADMINISTRATION FINANCING

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.

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 www.sba.gov 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 thoroughly read SBA's financing information. Once you have completed your business plan, the next step is to visit your banker, one of the active SBA guaranteed lenders listed in this guide. Prior to visiting with any financial representative, however, you need to have a solid idea of the type of company you wish to start, and have full documentation related to your financial condition and financing.

6.4.1 SBA 7(a) Loan Program

The 7(a) Loan Guaranty Program is the SBA's primary loan program. The SBA reduces risk to lenders by guaranteeing major portions of loans made to small businesses. This enables the lenders to provide financing to small businesses when funding is otherwise unavailable on reasonable terms. The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide range of financing needs.

When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA

guaranty. SBA backing on the loan is then requested by the lender. In guaranteeing the loan, the SBA assures the lender that, in the event the borrower does not repay the loan, the government will reimburse the lending institution for a portion of its loss.

By providing this guaranty, the SBA is able to help tens of thousands of small businesses every year get financing they would not otherwise obtain.

To qualify for an SBA guaranty, a small business must meet the 7(a) criteria, and the lender must certify that it could not provide funding on reasonable terms except with an SBA guaranty. The SBA can then guarantee as much as 85 percent on loans of up to \$150,000 and 75 percent on loans of more than \$150,000. In most cases, the maximum guaranty is \$1 million. Exceptions are the International Trade, and 504 loan programs, which have higher loan limits. The maximum total loan size under the 7 (a) program is \$2 million.

6.4.2 SBA Express

SBAExpress is available for loans up to \$250,000.



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 up to 50 percent of an SBAExpress 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.

6. Financing Your Business On Guam

6.4.3 The Process for An SBA Loan

You submit a loan application to a lender for initial review. If the lender approves the loan subject to an SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the SBA processing center. After SBA approval, the lending institution closes the loan and disburses the funds. You make monthly loan payments directly to the lender. As with any loan, you are responsible for repaying the full amount of the loan.

There are no balloon payments, prepayment penalties, application fees or points permitted with 7(a) loans. Repayment plans may be tailored to each business.

6.4.4 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.

6.4.5 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.

6.4.6 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.

6.4.7 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.

6.5 SBA COMMUNITY EXPRESS LOAN PROGRAM

The SBA Community Express Loan Program is available in certain geographic areas serving mostly low and moderate income populations (which include 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 help increase lending to businesses 51% or more owned by women, minorities and/or veterans and to offer 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 75% to 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 ranges 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. Lenders 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

6. Financing Your Business On Guam

percent, if the maturity is 7 years or more.

The program criteria include 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 alternative financial resources first including personal assets. Some businesses may be considered ineligible for this loan program to include businesses in which the business cannot be engaged in illegal activities, loan packaging, speculation, multi sales distribution, gambling, investment or lending, or where the owner is on parole.

6.6 SBA PILOT LOAN EXPRESS INITIATIVE

This program was announced by the U.S. Small Business Administration (SBA) on June 13, 2007. It will operate through December 31, 2010, after which time the SBA will evaluate its performance and make a decision whether to modify and/or continue the initiative. Local SBA district offices will have a listing of Patriot Express lenders in their areas

Eligible military community members include: veterans, service-disabled veterans, active-duty service members participating in the military's Transition Assistance Program, reservists and National Guard members, current spouses of any of these military community members, and the widowed spouse of a service member or veteran who died during service or of a service-connected disability.

SBA Patriot Express offers loans qualify for SBA's maximum guaranty of 85 percent for loans of \$150,000 or less and 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.

The documentation and processing of SBA Patriot Express will mirror the SBA Express loan program. Maximum interest rates for Patriot Express loans are the same as those allowed under SBA regulations for the 7(a) program, as opposed to the higher interest rates allowed under the SBA Express program.

In addition to the standard 7(a) loan eligibility requirements, eligibility for Patriot Express loans will be limited to certain members of the military community, and lenders will be required to document each borrower's eligibility using approved Department of Defense or Veterans Administration documentation and that documentation must be furnished to SBA with any purchase request.

SBA Express lenders and PLP lenders participating in the Patriot Express Pilot Loan Initiative will be required to meet and maintain the same proficiency and performance standards SBA has established for participants in the SBA Express or PLP program. Patriot Express lenders must have satisfactory performance as determined by SBA, in its sole discretion. SBA will allow revolving lines of credit under the Patriot Express Pilot Loan Initiative. SBA will delegate the credit decision to the lender, but will require lenders to use their existing, proven, and prudent loan practices used for similar conventional small business loans. SBA will defer to the lender's existing, prudent policy used for its non-SBA loans regarding hazard insurance and appraisals; and SBA will allow lenders to use mostly their own documents consistent with the documentation requirements for SBA Express loans.

6.7 USDA-FSA FINANCIAL ASSISTANCE PROGRAM

Farm Service Agency (FSA) makes direct and guaranteed farm ownership (FO) and operating loans (OL) to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA loans can be used to purchase land, livestock, equipment, feed, seed, and supplies. These loans can also be used to construct buildings or make farm improvements.

7. Business Development Assistance On Guam

There are many resources available to assist you with the business planning and financing stages of establishing your business. The wise entrepreneur will take advantage of as many of these resources as possible, and to plan well in advance to utilize the services prior to beginning operations.

Contact with the following organizations will help you identify the specific resources available to you, and will help determine the strengths and weaknesses in your business concept. By identifying the opportunities and challenges before hand, you can plan to best handle them for the good of your business. It's best to know them in advance, than to wait until you are fully occupied running the company.

The following organizations on Guam can assist you with the development of your company:

Guam Small Business Development Center (Guam SBDC)

#148 Jesus & Eugenia Leon Guerrero
School of Business & Public Administration Building
Mangilao, Guam 96923 (671)735-2590 Fax:(671)734-2002
<http://www.pacificsbdc.com/>

The Pacific Islands Small Business Development Center Network (PISBDCN) oversees the lead Small Business Development Center (SBDC), the Guam SBDC located on the University of Guam campus in Mangilao, and five service centers - the Kosrae, Chuuk and Yap SBDCs 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 counseling and technical assistance services to include help with business plan preparation, through the Small Business Development Centers operating under PISBDCN auspices. The SBDCs also provide a variety of workshops throughout the area for a nominal fee.



University of Guam Pacific Center for Economic Initiatives (PCEI)

UOG Pacific Center for Economic Initiatives
School of Business and Public Administration
Jesus & Eugenia Leon Guerrero Business and
Public Administration Building
University of Guam
UOG Station
Mangilao, Guam 96923
(671) 735-2553

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.

7. Business Development Assistance On Guam

US Small Business Administration (SBA)

Guam Branch Office
400 Route 8 Suite 302
Hagatna, Guam 96910-2003
(671) 472-7419
Fax: (671) 472-7365
www.sba.gov

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.

On-Line Assistance through the Service Corps of Retired Executives (SCORE)

SCORE Association
409 3rd Street SW
6th Floor
Washington, D.C. 20024
1-800-634-0245
www.score.org

SCORE "Counselors to America's Small Business" is a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. More than 10,500 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 provide 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.

Guam Economic Development and Commerce Authority (GEDCA)

590 S. Marine Drive
Tamuning, Guam 96913
Tel: 647-4332
Fax: 649-4146
www.investguam.com

GEDCA is an autonomous agency of the Government of Guam that can provide you information about investing on Guam, investor tax incentives, and other economic information that may be helpful to your business.



8. Guam Business Incentives

8.1 QUALIFYING CERTIFICATES

The Guam Economic Development and Commerce Authority (GEDCA) 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;
- ◆ Abatement on gross receipts tax on petroleum and alcoholic beverages made in Guam up to 10 years.

8.2 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 without paying taxes on anything locally, while having an advantage of being located in a modern American community with some of the world's finest communication tools, access to American courts and to the American 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
- ◆ 100% rebate of income tax withheld from shareholders of an insurance underwriting business on the dividends of such business

8.3 GUAM BASED TRUSTS

Similar benefits exist for Guam based trusts. These incentives are made available through the Qualifying Certificate program of the GEDCA. 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 the Authority.

8.4 FOREIGN SALES CORPORATIONS

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

The Government of Guam has provided local legislation in support of the Federal Act. GovGuam annual fees of \$400 for a regular FSC (sales under \$5 million per annum) and \$1,000 for a large FSC (sales above \$5 million per annum) are amongst the very lowest in the world. Professional legal and accounting support is also available at reasonable rates. Over 300 U.S. manufacturers have already established their FSC on Guam. Cost savings await other U.S. companies who see fit to establish their FSC within the Territory of Guam.

Trade Incentives

8. Guam Business Incentives

8.5 General Headnote 3(a)

This program of the Tariff Schedules of the U.S. allows duty-free entry into the U.S. Customs Territory for those items manufactured or assembled in Guam that meet certain requirements that enable Guam to be considered the "country of origin".
Reduced Tariff Rate--Another trade incentive program allows products manufactured on Guam to be imported by participating nations at a reduced tariff rate. Guam is the 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.

8.6 Guam Product Seal

To help promote products made on Guam for the tourism industry and to enhance export potential, Public Law 18-42 created the Guam Product Seal to identify products manufactured on Guam. To be eligible, a manufacturer must:

- ✓ Possess a valid Guam business license
- ✓ Substantially transform the material(s) so that the final product is converted into a different and distinguishable commercial use or character when completed
- ✓ Must add value of at least 50 percent of the production cost on Guam



For Help With
Guam Business Incentives
please contact:
The Guam Economic
Development and Commerce
Authority

590 South Marine Drive
ITC Building, Suite 511
Tamuning, Guam 96911
Tel: (671) 647-4332
Fax: (671) 649-4146
E-mail: help@investguam.com
Web Site: www.investguam.com

9. Government Contracting

9.1 BASICS

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 Regulation (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 <http://acquisition.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. Use your common business sense. 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.

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 D-U-N-S number. If your firm is based in one of the U.S. Territories or possessions located in the Western Pacific, you must obtain your D-U-N-S number through DNB - Australia. DNB-Australia's website is located at www.dnb.com/au. All other U.S. companies should obtain their D-U-N-S number through the domestic

9. Government Contracting

U.S. DNB website at www.dnb.com. Once you have obtained your D-U-N-S 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 a Commercial and Government Entity Code (CAGE Code) and CCR will issue your Trading Partner Identification Number (TPIN). Your CAGE code information will be required on all contracts and your TPIN is your password to updating and maintaining your CCR registration. 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 the marketing message to your company's advantage. When you begin your DSBS registration you will see your "SBA customer ID number" on the first page. Just like your CAGE code and TPIN, this information should be stored in a safe place since you will be required to produce this information when your firm seeks HUBZone, 8(a) or Small Disadvantaged Business (SDB) certification.

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

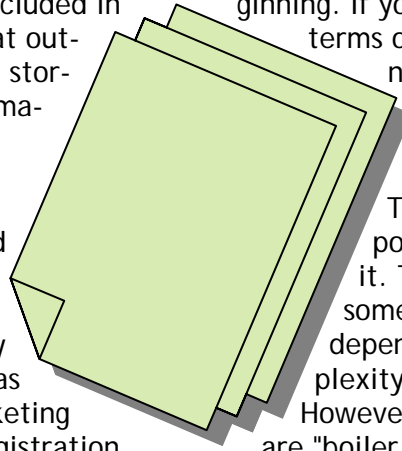
small businesses to partner with to fill the government's need in the geographic areas covered by a contract. It doesn't take much imagination to envision the number of telephone books, Chamber of Commerce registries or rolodex entries needed to try to keep up with businesses located over a wide geographical 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 need.

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, however, the contract is generally assigned to a special administering office. If you have any questions about the contract, contact the office of administration. Do not 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. DoD 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



9. Government Contracting

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 Opportunity (FedBizOpps) web pages. FedBizOpps is a web-based application and is the government-wide point of entry to communicate its buying requirements to potential suppliers. Understanding this web site is a critical element of business success for those firms doing business in the federal marketplace. This very important web-site can be accessed at www.fedbizopps.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 FedBizOpps.

Simplified procedures require fewer administrative details, lower approval levels, and less documentation. New procurement reform legislation requires all federal purchases above \$2,500 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 (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 FedBizOpps. This electronic government service also provides a direct link to the invitation.

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 FedBizOpps. This electronic govern-

9. Government Contracting

ment service also provides a direct link to the request. 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 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 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 THE SBA CAN HELP

The SBA's mission 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.

9.10.1 8(a) Business Development and Small Disadvantaged Business Programs

The SBA administers two particular business assistance programs for small disadvantaged businesses (SDBs). These programs are the 8(a) Business Development Program and the Small Disadvantaged Business Certification Program. While the 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms, SDB certification strictly pertains to benefits in Federal procurement. Companies which are 8(a) firms automatically qualify for SDB certification.

Today's 8(a) Business Development Program is 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. We also have implemented the new Mentor-Protégé Program to allow starting 8(a) companies to learn the ropes from experienced businesses. Our task 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 new and improved 8(a) Program has become an essential 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 in 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 institu-

9. Government Contracting

tional 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 SDBs. 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, the combining of 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 personnel 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.

You can apply to the 8(a) Program on line at www.sba.gov/8abd.

9.10.2 HUBZone Program

The HUBZone 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. [A *princi-*

pal office can be different from a company headquarters, see 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. You can apply for HUBZone certification on line at www.sba.gov/hubzone.

For more information on these and other SBA programs, please visit the Guam Branch Office or the SBA Homepage at www.sba.gov.

Taxation. **FOR HELP WITH
GOVERNMENT CONTRACTS ON GUAM**

U.S. SMALL BUSINESS ADMINISTRATION
(671) 472-7419

U.S. NAVY SMALL AND DISADVANTAGED
BUSINESS UTILIZATION OFFICER
(671) 3397090

TO VIEW AWARDED
GUAM CONTRACTS:
www.contracts.guam.gov

10. Operating On Guam

10.1 Employees

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

10.1.1 Employer Identification Number

If you have employees or operate as a partnership or corporation, your business will need an Employer Identification Number (EIN). A number of other types of businesses (those dealing with alcohol, tobacco, firearms, trusts, and others also required an EIN. Verify your status at www.irs.gov. An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may apply online .

Contact Information:

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line (215-516-6999). The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

10.1.2 Worker's Social Security Number

Every person that is 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. For a replacement card, proof of U.S. citizenship and age are not required if they are already on record. 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 one is not a U.S. citizen, different rules apply for proving immigration status, and those rules have not changed.

Also under the new law, only certain documents can be accepted as proof of identity. An acceptable document must show your name, identifying information about you and preferably a recent photograph.

For U.S. citizens, Social Security must see:
U.S. driver's license;
State-issued non-driver identity card; or
U.S. passport.

If you do not have these specific documents or cannot get a replacement for them within 10 days, Social Security will ask to see other documents, including:

*Employee ID card;
School ID card;
Health insurance card (not a Medicare card);
U.S. military ID card; or
Adoption decree.*

For non-U.S. citizens, Social Security must see current U.S. immigration documents. Acceptable documents from the Department of Homeland Security 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 US Social Security Guam Office
655 Harmon Loop Road Suite 300
Dededo, Guam 96929
Telephone: (671) 635-4433.*



10. Operating On Guam



10.1.3 Alien Labor Processing & 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: The H-2B visa classification applies to aliens coming temporarily to the U.S. to perform nonagricultural work of a temporary or seasonal nature, if U.S. workers capable of performing such service or labor cannot be found in the United States. The H-2B visa classification requires a temporary labor certification from the Governor of Guam advising the Immigration and Naturalization Service (INS) whether or not U.S. workers capable of performing the temporary services or labor are available and whether or not the alien's employment will adversely affect the wages and working conditions of similarly employed U.S. workers, or a notice that such certification cannot be made, prior to filing an H-2B visa petition with INS.

General: The Immigration & Naturalization Service (INS) regulations at 8 CFR 214.2(h)(6) establish requirements for the H-2B visa classification. INS regulations require that (1) the H-2B petitioner be a U.S. employer, or the authorize representative of a foreign employer having a location in the United States; and (2) that 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 petitioner's need for the services or labor shall be a one-time occurrence, a seasonal need, a peak-load, or an intermittent need:

(1) **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.

(2) **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.

(3) **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.

(4) **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:

Compliance (671) 475-9177

Service (671) 475-7029

Fax Number: (671) 475-7045

Email Address: alpcd_service@guamdol.net

10. Operating On Guam

10.1.4 Employer/Employee Rights

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 provides an informative web site at www.dol.gov to answer many questions businesses may have.

A variety of the Department's compliance assistance resources can help in this regard, including the elaws [FirstStep Employment Law Advisor](#) and the [Employment Law Guide](#), which describes 24 major laws enforced by DOL in plain, easy-to-understand language. These tools, and a variety of other compliance assistance materials, provide employers with the introductory information they need to develop wage, benefit, safety and health, and nondiscrimination policies for their business.

Compliance Assistance Materials available on-line from the U.S. Department of Labor include:

[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.

[Easy Retirement Solutions for Small Business](#) - Provides help for Small Businesses who want to start a retirement plan.

[SIMPLE IRA Plans for Small Businesses \(PDF\)](#) - Information on SIMPLE (Savings Incentives Match Plan for Employees of Small Employers) IRA plans.

[401\(k\) Plans for Small Businesses](#) - Highlights employers' options and responsibilities when operating a 401(k).

[Occupational Safety and Health Administration's \(OSHA\) Small Business Assistance Portal](#)

[OSHA Handbook for Small Businesses \(PDF\)](#) - Helps small businesses establish their own safety and health programs.

[Mine Safety and Health Administration's Small Mines Office](#)

[Equal Employment Opportunity Guide for Small Businesses with Federal Contracts](#)

To source the links to these materials, please visit <http://www.dol.gov/compliance/audience/smallbus.htm>

The U.S. Department of Labor (DOL) also provides online e-tools to help new and established businesses with employment laws.

[FirstStep Employment Law Advisor](#) - Helps new businesses or other employers learn which major DOL laws apply to their particular business.

[Small Business Retirement Savings Advisor](#) - Provides answers to a variety of questions about retirement savings options for small business employers.

[Poster Advisor](#) - Helps businesses determine which workplace posters are required for display at the place of business. Posters can be downloaded and printed free of charge directly from this Advisor.

[Employment Laws Assistance for Workers and Small Businesses \(elaws\)](#) - Provides a series of interactive e-tools that cover various employment law issues including minimum wage, overtime, safety and health, pensions, family and medical leave, and more.

To source the links to these materials visit <http://www.dol.gov/compliance/audience/smallbus.htm>

Contact Information:

For questions on DOL laws, please call DOL's Toll-Free Help Line at 1-866-4-USA-DOL. Live assistance is available in English and Spanish, Monday through Friday from 8:00 a.m. to 8:00 p.m. Eastern Time. Additional service is available in more than 140 languages through a translation service.

Tel: 1-866-4-USA-DOL

TTY: 1-877-889-5627

10. Operating On Guam

10.2 NETWORKING AND MARKETING ON 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.

Guam Chamber of Commerce

The Guam Chamber of Commerce is a non-profit voluntary association of business and professional individuals and firms united in their desire to improve business and build a better social and economic community on Guam.

Contact Information:

173 Aspinall Avenue, Suite 101, Ada Plaza Center, Hagåtña, GU 96910

Tel: (671) 472-6311/8001

Fax: (671) 472-6202

www.guamchamber.com

Guam Contractors Association (GCA)

GCA is 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.

Contact Information:

(671) 647-4840

www.guamcontractors.org

Guam Chinese Merchants Association

The mission of the Chinese Merchants Association of Guam is to promote general welfare for its membership by uniting all Chinese and other businesses and contributing to the harmony of various cultures.

Contact Information

Sunny Plaza #101

125 Tun Jesus Crisostomo Street

Tamuning, Guam 06011

(671) 646-2168

www.guamchinese.com

Guam Visitors Bureau

The Guam Visitors Bureau is a public, non-profit membership corporation created by 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 the interest in the promotion and development of Guam's tourism industry.

Contact Information:

Guam Visitors Bureau Setbision Bisitan Guahan

401 Pale San Vitores Road

Tamuning, Guam 96913

(671) 646-5278/9

Fax: (671) 646-8861

To email direct: guaminfo@visitguam.org

Official Website: www.visitguam.org

Guam Hotel and Restaurant Association

The Guam Hotel and Restaurant association will strive 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 primary purposes 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 territory's economy.

Contact Information:

Telephone: 649-1447

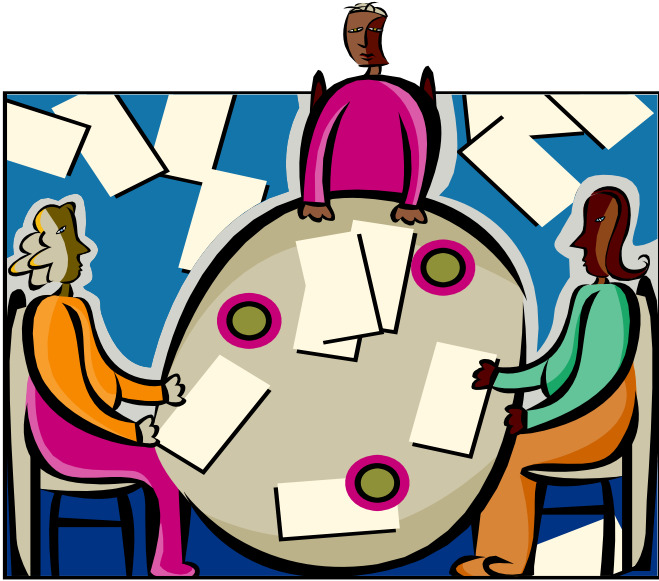
Mail: P.O. Box 8565

Tamuning, Guam 96931

Email: ghra@ghra.org

Other business organizations include a number of Rotary and Lions Club organizations and industry specific business groups such as the Guam Contractors Association, The Guam Board of Realtors, The Guam Bar Association, The Guam Board of Accountancy, and others searchable on the internet.

10. Operating On Guam



10.3 CUSTOMER SERVICE

There exists on Guam the unique opportunity for businesses to distinguish themselves from other competitors by becoming the best at delivering customer service. Because Guam is geographically insular and choices for customers seeking a specific product or service can be limited, some businesses may feel that customer service is not very important because of the high demand held by the customer.

This viewpoint, however, is very shortsighted. Within the last decade, the retail and service industries on Guam have grown tremendously, and those companies that are the most successful are those who truly consider the overall experience of the customer when dealing with their business.

Quality customer service is not difficult - it just requires a commitment to treating the customer exactly how you would want to be treated. Often, this means treating your employees as you would want to be treated as well. If your employees do not feel important to the organization, they will not be as inclined to make your customer feel important either.

Treating an employee well is not necessarily associated with how much you pay them. Adequate compensation and benefits are important, but you will find that employees will represent your company well if they feel valued, are proud of their environment, and are treated by you in the same manner

that you wish for them to treat your customers.

Businesses on Guam who have particularly distinguished themselves from other companies are those who understand how to convey the best in customer service in the most simple of ways. While these simple steps may already be the norm in other places, there is still the opportunity for new and established companies on Guam to really stand out in their particular industry by making their customers feel special and appreciated. It starts with simple steps .

The Guam Small Business Development Center, the Pacific Center for Economic Initiatives and the SBA can all assist you with developing good customer services guidelines. You can also source guidelines on the internet.

Contact Information:

A good source for free on-line information about customer service is <http://www.customerservicemanager.com/about-csm.htm>. CSM sites itself as The Journal & Resource for Customer Service Managers & Professionals that provides news, tools, articles & resources regarding customer service.

CUSTOMER SERVICE TIPS

- ✓ Have **REAL** people answer phones
- ✓ Have the **BEST** receptionist
- ✓ Return calls **PROMPTLY**
- ✓ Have **CLEAN** bathrooms
- ✓ Let customers **USE** the bathrooms!
- ✓ **DISPLAY** your mission statement
- ✓ **FOLLOW UP** with customers
- ✓ Have **NO WAIT FOR SERVICE**
- ✓ Train workforce to **SMILE**
- ✓ **MAKE EYE CONTACT!**
- ✓ **KNOW** regular customers' names!
- ✓ Send **THANK YOU** notes

10. Operating On Guam

10.4 SUPPLY CHAIN MANAGEMENT

Your “supply chain” refers to the flow of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Unlike companies located on large continents where goods and materials can be transported via truck or rail, Guam relies on air freight and shipping for the import and export of materials.

Many organizations are looking to supply chain optimization as a means of gaining significant competitive advantages. Those companies that manage their stock well, have a good idea in advance of the items they need to order, and effectively manage their supply are the companies most likely to retain their customers.

A key business operations component for Guam based companies is having a good plan for supply chain management. This refers to ensuring that the schedule for importing, receiving, stocking and selling whatever you need for your products and services in a timely and efficient manner.

Your business plan will help you determine how many sales you anticipate for each month. Once you have determined that, you will have to develop a list of all the items you will need to complete the sales transaction. Then you need to develop a management system to order, receive, and restock your items.

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

10.4.1 Air Cargo Service

More than 250 flights per week connect Guam to all major cities in the Pacific and Asia. Airlines that serve Guam include: All Nippon Airways, Asiana Airlines, China Airlines, Continental Airlines, Japan Airlines, JALways Co. Ltd., and Northwest Airlines. Commuter airlines also provide inter-island flight services throughout the Marianas islands and Micronesia.

Businesses relying on freight forwarding and cargo

handling have ready access to adequate port facilities. The Guam International Airport handled more than 33,000 metric tons of cargo in 2005. Services include Refrigeration for cut flowers, perishable food, frozen goods; quarantine, HazMat, bonded and secure storage.

Contact Information for the airlines currently serving the Guam International Airport:

*All Nippon Airways (ANA)

355 Chalan Pasaheru, Suite B-226
Tamuning, Guam 96913 Fax: 646-9070 (Admin)
Telephone: 642-5583/5555 Fax: 646-9060

Asia Pacific Airlines

Yellow Cargo Building
P.O. Box 24858
GMF, Guam 96921
Telephone: 647-0050/1 Fax: 647-1086

Aviation Services Ltd. dba Freedom Air

P.O. Box 1578
Hagatna, Guam 96932
Telephone: 472-8009/8010/8080 Fax: 472-8080
Commuter: 647-8359/62 Fax: 649-0729

China Airlines

388 South Marine Drive
Suite 201, Isla Plaza
Tamuning, Guam 96913
Telephone: 649-0860/1/2 Fax: 649-0867

*Continental Micronesia, Inc.

P.O. Box 8778
Tamuning, Guam 96931
Telephone: 645-8595 / 642-8840 Fax: 649-6588

*JAPAN AIRLINES / JALways Co., Ltd.

355 Chalan Pasaheru Road; Suite B225
Tamuning, Guam 96913
Telephone: 642-6421 Fax: 642-6429

Korean Air

P.O. Box 11979
Tamuning, Guam 96931
Telephone: 642-3216/7/8 Fax: 642-3219
Telephone: 642-3203 (Operations Office)

*Northwest Airlines

Tamuning, Guam 96913
Telephone: 642-6921
Terminal: 642-6921/3/4(6928) Fax: 649-4150

10. Operating On Guam

Philippine Airlines

P.O. Box 11977

Tamuning, Guam 96931

Telephone: 632-1615 Fax: 632-1625

Contact Information for Air Courier Freight Services listed by the Guam International Airport Authority:

Consolidated Transportation Service, Inc. (671) 649-2846

Continental Cargo (671) 642-8701

DHL Corporation (671) 646-1765

Northwest Cargo (671) 642-6921

TNT Express Worldwide (671) 649-3011

Triple B Freight Forwarders (671) 649-0900

10.4.2 Shipping

Guam's commercial port is the largest and deepest water port between Hawaii and Asia, and moves more than 2 million cargo revenue tons per year. The majority of Guam's businesses rely heavily on the port for shipping needs, and its position as the transshipment and transportation hub of the western Pacific links Guam based businesses to the shipping routes of the region.

The Commercial Port of Guam has 2900 linear feet of dock space and 26.5 acres of container yard facilities, with an additional 50 acres set aside to expand the existing yard. Liner carrier service from the United States West Coast and Hawaii is provided by Matson Navigation and Horizon Lines. Shipping services are available to Guam from ports in Japan, Taiwan, the Philippines, Australia, New Zealand, Singapore, South Korea and Hong Kong.

Contact information:

Port of Guam, 1026 Cabras Highway, Suite 201, Piti, Guam 96915

Telephone (671) 477-5931 or 472-PORT

Fax (671) 477-2689

e-mail: webmaster@portofguam.com

For shipping schedules and tariffs, companies can access the following (as listed on the Guam Port Authority Website):

Matson Navigation Services, Port Authority of Guam, 1026 Cabras Highway, Piti, Guam
Pier F-5, (671) 475-5961 - Shipping schedules and tariffs can be accessed online at www.matson.com

Horizon Lines, LLC, Post Office Box 8897, Tamuning, Guam 96931, (671) 475-8100 - Shipping schedules and tariffs can be accessed online at www.horizonlines.com.

Marianas Steamship Agencies Commercial Port, Apra Harbor, P.O. Box 3219, Hagåtña, Guam 96932, 671-472-8584, Fax: 671-472-8585/5692 - Shipping information can be accessed at <http://www.msa-guam.com>.

Ambyth Group, 1026 Cabras Highway Ste 205, Piti, Guam 96915 or Harmon Industrial Park, 193 Rojas Street, Tamuning, Guam 96913, (671) 477-7250 - Shipping, trucking and air freight information can be accessed at www.ambyth.com.

11. References and Sources

CSM - Customer Service Manager
www.customerservicemanager.com/about-csm.htm

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by Thomas J. Fisher, Partner, Van de veld, Shimizu,
Canto & Fisher, Attorneys At Law, Suite 101 De La
Corte Building, 167 East Marine Corps Drive, Ha-
gatna, Guam 96910 (671) 471-1131 Facsimile (671)
472-2886.

Guam Attorney General
www.guamattorneygeneral.com/guam_code

Guam Chamber of Commerce
www.guamchamber.com.gu

Guam Code Annotated (GCA), various sections
Guam Corporations
www.guamcorporations.com

Guam International Airport Authority
www.guamairport.com

Guam Department of Labor @
<http://www.guamdol.net/>

Guam Department of Revenue and Taxation
www.guamtax.com

Guam Environmental Protection Agency
www.guamepa.govguam.net

Internal Revenue Service @ www.irs.gov

Guam Legislature
www.guamlegislature.com

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www.gmha.org/profile.htm

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www.doe.edu.gu/

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www.guamphonebook.com

Investor Words
www.investorwords.com/1140/corporation.html

Maila Halom @ <http://www.guampdn.com/guampublishing/special-sections/maila/2004/schools.htm>

Martindale-Hubbel Lawyer Locator
lawyers.martindale.com

Mayor’s Council of Guam
www.mayorscouncilofguam.org

Port Authority of Guam
www.portofguam.com

Service Corps of Retired Executives
www.score.org



**Guam Department of
Revenue and Taxation**
Business Hours:
8am - 5pm M-F
(excluding holidays)

Physical Address:
1240 Route 16, Barrigada, Guam 96913

Mailing Address:
Dept. of Revenue & Taxation
Taxpayer Services Division
P.O. Box 23607, GMF, Guam 96921

GRT Questions:
671-635-1835
671-635-1836

Income Tax Questions:
671-635-1840
671-635-1841

E-filing Questions:
671-635-1809

Fax:
671-633-2643

