

Project Olympus

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~~Raising Children~~

Everything You Need to Know
About ~~Starting a Business~~

~~Electrical Engineering~~

~~Robotics~~

~~Chemistry~~

~~Computer Science~~

In less than 30
minutes

~~Biology~~

~~Riding a bike!~~

~~Dark Energy~~

Suggestions?

Frequent Suggestions

1. Innovative technology ▪ very helpful
2. Marketing ▪ helpful
3. Sales ▪ even more helpful
4. Investors ▪ helpful if needed
5. Partners ▪ only if you need them
6. Money ▪ very helpful
7. Customers ▪ Yes!

Finding Customers

- Find a problem

“What’s wrong with _____, is that it can’t _____.
“....it always _____.”

- Identify the customers

- Who will buy it?
- How much will they pay?
- How will they buy it / how is it delivered?

- Find a solution that fits the problem and the customers

- What is required to make and deliver it?



“Perfection is achieved, not when there is nothing more to add, but when there is nothing left to take away.”

Antoine de Saint-Exupery
Aviator and Author (1900-1944)

Business Essentials

1. Desire to start a business
2. Willingness to continuously learn
3. Ability to adapt - use what you are learning
4. Compelling solution to an urgent problem

Business Accelerators

- Hard-working, smart people
- Customer and market knowledge
- Money
- Effective sales force
- Marketing support
- Access to complimentary assets: delivery channels, manufacturing facilities, transportation, uniquely-skilled workers, technology licenses, processes, materials, etc.
- Other: proprietary knowledge (tacit knowledge, know-how, trade secrets); protected intellectual property (patents, copyrights, trademarks, trade dress)

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Mechanics of Starting a Business

- Decide on form of entity (sole proprietorship, partnership, LLC, subchapter S or C corporation)
- Register with the state of incorporation (not required for a sole proprietorship) and establish basic incorporation documents – either with an attorney or online
- Open a bank account for the entity; typically a checking account with a revolving line of credit
- Obtain an Employer Identification Number (EIN) for the entity from the Internal Revenue Service (not applicable for sole proprietorships)

<http://www.irs.gov/businesses/small/article/0,,id=97860,00.html>

	S Corporation	C Corporation	Limited Liability Corp.	Doing Business As
Recommended For	Owners wanting the liability protection of a corporation, with the simplicity of pass-through taxation of income	Owners needing maximum tax and ownership flexibility, combined with liability protection	Owners wanting the simplicity of pass-through income taxation and the liability protection of a corporation with less formalities	Owners desire to do business as a particular name without creating a new entity or amending an existing entity
Ownership	Shareholders	Shareholders	Members	Owners
Personal Liability	Shareholders typically not liable for corporate debts	Shareholders typically not liable for corporate debts	Members typically not liable for debts of LLC	Owners are personally liable for all debts of the business
Formalities & Record Keeping Requirements	Formal board and shareholder meetings and minutes	Formal board and shareholder meetings and minutes;	Annual state reports	Must renew application and publish (if required) every 4-5 years depending on state
	Annual state reports	Annual state reports		
Taxation	No tax at entity level	Taxed at entity level	By default, no tax at the entity level if properly structured	No tax at entity level
	Income/loss passed through to shareholders	Taxed at individual level (If dividends distributed to shareholders, dividend income taxed at individual level)	Income/loss passed through to members	Income/loss passed through to shareholders
Tax Reporting	Income on Form 1120S	Income on Form 1120	Income on Form 1040, Schedule C or Form 1065 & Schedule K-1 for profit distributions	Schedule C
	Salaries on Form W-2	Salaries on Form W-2	May also opt to be taxed as C or S corporation	If Partnership Schedule K-1
	Profit distribution on Schedule K-1	Profit distribution on Form 1099-DIV	An operating agreement outlines management duties	
Management & Operation	Managed by directors, elected by shareholders	Managed by directors, elected by shareholders	Flexibility similar to a partnership	Managed by owners
	Day-to-day operations run by officers appointed by directors	Day-to-day operations run by officers appointed by directors	An operating agreement typically outlines management duties	
			Optional board of managers	
Formation Requirements	State filing	State filing	State filing	State or county DBA filing required generally before using the DBA, and Some states require a published notice in local newspaper and proof of fulfillment
	Subchapter S election typically required within 60 days of formation.			



Sole Proprietorship

- Simple structure – single owner/operator
 - Owner receives all income and is responsible for all liabilities
- Unincorporated business – registration with the state is not required
 - A business or professional license may be required
- Company earnings are subject to self-employment tax
- Payments for personal benefits (e.g. insurance) can't be deducted as business expenses, but payments for employee coverage are deductible
- Advantages: simple, low startup costs, complete control
- Disadvantages: owner responsible for all liabilities and creditors can force use of personal assets; limited opportunities to raise capital; cannot share ownership



Partnerships

- General Partnership
 - Partners responsible for liabilities of the other partners
- Limited Partnership
 - Involvement and liability is limited for some partners
- Limited Liability Partnership (LLP)
 - Partners are not responsible for liabilities of other partners



Limited Liability Company (LLC)

- Two or more members; entities may be members; no limit on the number or type of member
- Provides protection of personal assets for members (as in a corporation)
- Profit/loss passed to members for tax purposes (as in a partnership)
- Multiple levels of members
- Management by members or designees
- A member/manager may be subject to additional taxes (social security and Medicare)
- In some states, an LLC doesn't qualify for state tax credits or sales and property tax exemptions (unlike a corporation)



S Corporation

- Provides protection of personal assets for stockholders
- Perpetual corporate lifetime
- Limited to 100 stockholders
 - Only one class of stock
 - Restrictions on some types of stockholders
- Profits/losses passed to stockholder's tax filings (like a partnership)
 - Corporate-paid benefits (insurance) may be taxable income to shareholders
- Advantages of corporate structure can be lost
 - If corporate assets are used as personal assets
 - If annual meeting and report requirements are not met



C Corporation

- Provides protection of personal assets for stockholders
- Perpetual corporate lifetime
- Corporation is responsible for taxes
 - Double taxation: corporation pays taxes on income prior to dividend distributions; stockholders pay taxes on dividends
 - Benefits for employees can be a tax-deductible expenses for the corporation
- No limitation on number and classes of stockholders
- Stock is liquid – bought/sold without approval of other shareholders