



Beauty Concepts,



Inc.

By

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Executive Summary

Beauty Concepts, Inc. is discount beauty supply distributor of American Crew, Aquage, Biolage, Nioxin, Redken, and Joico products. This business-to-business model will provide salons and licensed cosmetologists an electronic means of purchasing their beauty supplies, which today, is not option by most of our competitors. Not only will we provide them a discount pricing strategy but the ability to order their supplies in convenient and user-friendly manner. Other advantages we have over our competitors is the ability for customers to track their orders via a link to Federal Express website. (Federal Express is the carrier we choose to ship our product). We also will have a customer loyalty program, which will provide customers with an incentive to reorder from our site. As well as other incentives discussed within the paper for attracting and retaining customers.

Every licensed cosmetologist has a permit number issued by the state in which he/she is working (Note you can't have a salon without a licensed cosmetologists). This will allow us to regulate, who we are selling our product to. Our site will allow everyone to view the products and information but when an individual wants to see pricing information or purchase a product they must first provide us with a permit number. We will check this permit number with a database of all active permits in all 50 states before we will allow any pricing information or purchases to occur.

The management team of Renee, Diane, Karri, and Serhat bring to the team a wide variety of backgrounds to aid in the success of the business. Serhat has professional training with a degree from the German government in communication electronics specializing in information technology. Serhat has done consulting for Hewlett Packard Germany, where he used Visual Basic to link SAP with Microsoft Product. Renee brings to the table a wide variety of technical knowledge especially about networks and pc's. Diane, who is a project manager with a Fortune 500 company, manages all aspects of a financial project that has a budget of \$1.8 million dollars and approx. 40 people. With this position she uses SDLC methodology to ensure on-time, quality deliverable is produced within the specifications of the customer. Previously, Diane was on a SAP project as a Business Team Lead for

the financials (AR, GL and Deduction Mgmt) and master data set up (Customer, Products, Pricing and Promotions). Karri brings to the team a financial background. Karri has an undergrad in Accounting and is a CPA.

Company Background

History:

Beauty Concepts, Inc., which will be based in Sioux Falls, SD, is a new start-up venture that is designed to be a “one-stop-shop” for salons and other licensed cosmetology professionals to purchase beauty supplies. We choose only to sell to salons and other licensed cosmetologist for several reasons. One reason was because if you sell to the end consumer they only buy the product one item at a time and the salons will more than likely buy in bulk. Another reason is that the salons and licensed cosmetologists are considered experts in the field and will have the ability to recommend the appropriate product or products to meet the needs of the individual consumer.

Mission Statement

To be a customer driven, low-cost provider of beauty supplies that is accessible to any professional with Internet access.

Future Strategy:

As we start our business, we will be focusing on a select line of products that we will expand as we grow.

Market/Competitive Analysis

We will be concentrating exclusively on selling products to salons and other licensed cosmetology professionals. We will be starting with product lines from: American Crew, Aquage, Matrix Biolage, Nioxin, Redken, and Joico.

There are many beauty supply wholesalers, but only a handful currently sell online. We evaluated 6 companies that we found online. They are: MegaSalon, Health & Beauty Depot, Spiral Haircase, Cavallaro and Company, The Londoner, and Davidson Beauty. Most of the stores offered

the ability to view the types of products they sell, although 3 of the stores did not allow purchases online and seemed to be simply web presences for existing stores. Those that did allow online shopping concentrated their marketing efforts on costs by providing discounts off of suggested retail prices.

Some of the weaknesses of these websites included limited ways to contact the company (one offered only an online form to fill out, while the other two only offered email) and little or no information on the company's background. This was very disturbing because there are quite a few customers who try to research and build relationships with the companies they conduct business with. All online merchants we studied offered a wide selection of product lines (some as high as 40 different brands) for hair, skin and nail care.

The market is somewhat competitive with local or regional distributors. Unfortunately for salons and professionals not near a distributor, they have to order their products through a mail order catalog. Depending on the layout of the catalog, it may be hard for the professionals to make sure they are ordering the correct product. Our company proposes to offer a detailed web site that professionals can go to and make sure that they have ordered the products that they wanted. However, if the salons and professionals want to visit the local distributor, the distributors are only open a limited number of hours. By allowing the salons and professionals to access our site 24 hours a day, 7 days a week they can order or view the products at their own convenience.

Service and Product Analysis

Beauty Concepts, Inc. will carry the highest quality product lines in the area of professional hair care products, through the use of an online beauty store. The product lines, which our company will distribute, will come from some of the most widely respected names in the industry. Through our online store we will supply the best selection of merchandise to salons and licensed cosmetologists at very competitive prices. Our customers will be able to conduct purchases online 24 hours a day, 7 days a week. If a customer locates a better price somewhere else, and they contact our company, we

will send their order free of freight charges. Our company will strive to meet a 24-hour turn around on product delivery, upon receipt of order. We understand that salons and licensed hair care specialist do not maintain a large amount of inventory, and require fast service.

Our company will distribute items that target all family members. Additionally, we will carry specialty products that target thinning hair, permed and color-treated hair, and various types of hair conditions. The brand names of product, which our company will handle, are American Crew, Aquage, Biolage, Nioxin, Redken, and Joico. For all stock, we will inventory various sizes to meet all requirements of the end-consumer. The perceived quality will be recognized through brand recognition evidenced by numerous mediums, such as: trade shows, industry periodicals, and manufacturer pamphlets. All of the products, which we will distribute, are environmentally safe and hair stylist tested – not animal tested.

The product line breadth will be met through the different types of products that will be offered within a brand name. We will offer various categories of products: cleansing (shampoos), conditioning (detangler, reconditioners, reconstructors), styling products (gels, mouse), and finishing products (pastes, hair sprays).

Pricing Strategy

Our pricing strategy will be that of national pricing. Since we are primarily dealing with one channel of distribution, Retail Internet, we will offer one level of base prices. Our final price will allow a substantial enough margin over our costs to cover operating expenditures and an acceptable profit margin.

To align our prices with other competitors, we will perform market research to ensure resistance is not met at start up time. Our goal would be to ensure that our prices are not substantially higher or lower than the competitors, or our prospective customers will question the quality of our products. We plan to offer promotional activity to lower the cost of our product by 10%. Some of the funding will be received through purchases that our company makes from the manufacturer. By

receiving off-invoice discounts and accruals that will be derived through volume purchases we can pass this savings along to our retail customers.

We also intend to have a fixed shipping and handling charges based on the total purchase cost. For example purchases up to \$100, we would charge \$7.99, for \$100 to \$200 we would charge \$9.99, for \$200 to \$300 we would charge \$11.99, and anything above \$300, the shipping and handling would be free. These charges would be higher than what it actually costs to ship the product. Therefore it could be an added source of revenue. It may not be a material dollar amount but those small dollars start adding up over time.

Sales and Promotion

Beauty Concepts, Inc. represents itself as a customer orientated discount distributor. It is very important for us to supply customers' their products in a timely and professional manner. Therefore, it is necessary to be flexible and to continually adjust the concepts to the customers' needs and wants. To reach this goal we make flexibility a key part of our marketing concept. Furthermore we intend to present our customers a better price than the competitors as long as our profit margin will allow it. We believe that because of our small company size and low overhead costs we are in a position to make ourselves a key player in the beauty supply market.

Customer Acquisition:

To attract customers to our website, we will make our website search-engine-friendly by including a meta tagⁱ and register our site with the main Web search engines, like Excite, Yahoo, etc. Other online commercial mediums, like banners are not a component of our concept, because we are in the Business-to-Business model and they do not provide a cost effective means of advertising. The exception is that we will request industry sites, like trade associations, have links on their homepage to our website. Traditional commercial mediums, like direct mail and trade shows will be key elements to our marketing strategy.

Customers Loyalty:

The average costs to attract new customers are five times higher than retaining one. Keeping that in mind, we designed a customer loyalty program to help attract and retain customers. In this program every customer will receive points for their purchases. These points will accumulate and allow the customers to receive gift certificates to apply against future orders. For example, if a customer orders \$1,000 worth of merchandise they would receive 10 points. Once the customer accumulates 25 points they will receive a \$10 gift certificate to be used against future orders. We felt this would be a competitive advantage over our competitors without greatly impacting cash flow.

Customer Recognition:

What happens if someone other than a salon or licensed cosmetologist wants to purchase an item we have on our site? We would have a database built into our site that would allow that individual to enter in his or her zip code. It would then give them list of our customers, with their permission, who carry that product in the surrounding area.

Order Tracking:

We have decided to use Federal Express as our delivery carrier. We will have a link from our site to www.Fedex.com to allow our customers the ability to check the shipping status of their orders 24 hours a day 7 days a week.

Gift Packages:

We will also provide pre-assembled gift packages to our customers, which they will in turn sell to their clients. This tends to be an extremely popular means promotion as well as allow our customers to target the gift-giving sector.

Customer Contact:

We will be in permanent contact with our customers. We plan to send e-mails out to customers containing information like current specials, trends, to inform them about new products, account balance or orders, etc. We also will have a telephone number on the web site to provide a human

element to the mix. Some individuals who have problems, questions, or concerns and want to speak to an actual individual, they may do so during normal business hours. For after hours, a voice mailbox will be available for them to leave a message and their call will be returned as soon as possible.

Retention of Information:

We will have a secure database that would retain the majority of their information, like name, address, phone number, state cosmetologist license number, resale certificate number, etc. A resale certificate number is a number provided by a state that indicates that the customer is in fact purchasing the items for resale and not for personal use. (Note without this certificate XYZ corporation is only liable to charge sales tax on orders with a shipping address of South Dakota. Beauty Concepts, Inc. has no nexus in any other state, therefore they are not liable to collect and remit sales tax on an order with a shipping address outside the state of South Dakota. Nexus is the term used by states that generally states that if a corporation has a physical presence, sales personnel or does not ship its product via common carrier then they are liable to that state for income taxes as well as collecting and remitting sales tax. Beauty Concepts, Inc. will only be physically located and have all the sales personnel in the state of South Dakota, and will be shipping the products via FedEx, a common carrier, they will only have nexus in South Dakota.) This secure database would not contain any credit card information unless the customer requests that the database retain this information. This feature will allow our customers to order their items in an efficient and accurate manner.

Finances

Beauty Concepts, Inc. is incorporated as a Sub-Chapter S corporation in the state of South Dakota. We will lease office space in Sioux Falls, South Dakota and the 4 shareholders will be the only employees working in the organization at this time.

Sub-Chapter S Corporation:

Beauty Concepts, Inc. would be legally structured as a Sub-Chapter S Corporation. Internal Revenue Code §1361(a)(1) defines an S Corporation as a “small business corporation for which an

election under section 1362(a) is in effect for such year. Section 1362(a) basically states that IRS Form 2553 (Election for a Small Business Corporation) must be filed with the Internal Revenue Service to make the Sub-Chapter S election. This will allow the shareholders to get cash out of the corporation without double taxation, as well as decrease the amount of FICA tax paid by the employer and employee. The net taxable income generated from a Sub-Chapter S Corporation flows through to the shareholders individual tax return regardless of distribution in the form of actual dividends. The shareholder would report and remit there pro rata share (this is established in the articles of incorporation) of the taxable income on their personal income tax return. In addition to federal tax savings the Sub-Chapter S creates a corporate veil. This ensures that the legal liability is at the corporation level and limits the shareholders liability. In other words if the corporation was sued for some particular reason, the shareholders personal assets outside of the corporation would not be at risk for loss.

For a better understanding, lets compare a Sub-Chapter S corporation to a C Corporation. In the C Corporation legal structure the Corporation reports and remits the tax. If a shareholder wants to get cash out of the corporation they have 2 options, pay themselves a high salary or distribute dividends. If they pay themselves a high salary, it is subject to individual income tax and payroll taxes, such as social security, Medicare, unemployment, etc. These additional taxes decrease the cash flow of the corporation and the individual. If the corporation distributes dividends to the shareholder, the shareholder has to include the dividend on their personal income tax return but the corporation receives no tax benefit from the distribution. So the shareholder and the corporation pay tax on the same dollar, hence double taxation. With a Sub-Chapter S election the shareholder reports and remits the corporate net taxable income on their personal returns therefore the dividends are tax free when they are distributed from the corporation as long as the shareholder has basis in the corporation. When a Sub-Chapter S election is made the shareholders can lower their salary, which in turn lowers payroll

taxes, and increase the dividends to get the cash out of the corporation without paying double taxes.

(See Attachment B)

Incorporating in the State of South Dakota:

One of the primary reasons we choose South Dakota was the fact that the state of South Dakota has no corporate or individual taxes, unlike the state of Nebraska who has both personal and corporate income taxes. We evaluated incorporating in the state of Nebraska and it would have been an option if we intended to add 30 new jobs and invested 3 million in capital expenditures. This would enable us to qualify for LB 775 incentive program. This incentive is used by corporations like First Data Resources, ConAgra, etc. to essentially pay no Nebraska income and sales tax. Our projections at this time does not allow us to qualify for this incentive therefore we choose the state of South Dakota for incorporation.

Assets:

Beauty Concepts, Inc. will have very little fixed assets. One reason is that they will be leasing the office space. Another reason is that they will be contracting with a web host provider that will provide the server space. They will however, need capital expenditures of at least one PC, a printer, a copier, phone system, office furniture, etc.

Liabilities:

Beauty Concepts, Inc. should have no debt because all of the shareholders will contribute the necessary capital to purchase the needed fixed assets listed above and the cash flow needed to get the business going (i.e. first month rent, deposits, etc). Beauty Concepts, Inc. will have a line of credit established at the bank to ensure the corporation has the necessary cash flow to operate effectively.

References

Cavallaro and Company <http://www.cavallaroandco.com> Last accessed 10/15/2000.

Davidson Beauty <http://www.davidson-beauty.com> Last accessed 10/15/2000.

Federal Express <http://www.fedex.com> Last Accessed 10/25/2000.

Health and Beauty Depot <http://www.healthandbeautydepot.com> Last accessed 10/15/2000.

Internal Revenue Service <http://www.irs.gov> Last accessed 10/31/2000.

Megasalon <http://www.megasalon.com> Last accessed 10/15/2000.

Spiral Haircase <http://www.spiralhaircase.com> Last accessed 10/15/2000.

The Londoner <http://www.thelondoner.com> Last accessed 10/15/2000.

Appendix A

Form **2553**
(Rev. July 1999)
Department of the Treasury
Internal Revenue Service

Election by a Small Business Corporation

(Under section 1362 of the Internal Revenue Code)
▶ See Parts II and III on back and the separate instructions.

OMB No. 1545-0146

▶ The corporation may either send or fax this form to the IRS. See page 1 of the instructions.

- Notes:**
- This election to be an S corporation can be accepted only if all the tests are met under **Who may elect** on page 1 of the instructions; all signatures in Parts I and III are originals (no photocopies); and the exact name and address of the corporation and other required form information are provided.
 - Do not file Form 1120S, U.S. Income Tax Return for an S Corporation, for any tax year before the year the election takes effect.
 - If the corporation was in existence before the effective date of this election, see **Taxes an S corporation may owe** on page 1 of the instructions.

Part I Election Information		
Please Type or Print	Name of corporation (see instructions) BEAUTY CONCEPTS, INC.	A Employer identification number APPLIED FOR
	Number, street, and room or suite no. (if a P.O. box, see instructions.) 1821 W 12th	B Date incorporated 10/15/00
	City or town, state, and ZIP code SIOUX FALLS, SD 57116	C State of incorporation SOUTH DAKOTA
D Election is to be effective for tax year beginning (month, day, year) ▶ 12/31/00		
E Name and title of officer or legal representative who the IRS may call for more information KARRI TROESTER, SHAREHOLDER		F Telephone number of officer or legal representative N/A
G If the corporation changed its name or address after applying for the EIN shown in A above, check this box <input type="checkbox"/>		
H If this election takes effect for the first tax year the corporation exists, enter month, day, and year of the earliest of the following: (1) date the corporation first had shareholders, (2) date the corporation first had assets, or (3) date the corporation began doing business ▶ 10/15/00		
I Selected tax year: Annual return will be filed for tax year ending (month and day) ▶ 12/31 If the tax year ends on any date other than December 31, except for an automatic 52-53-week tax year ending with reference to the month of December, you must complete Part II on the back. If the date you enter is the ending date of an automatic 52-53-week tax year, write "52-53-week year" to the right of the date. See Temporary Regulations section 1.441-2T(e)(3).		

J Name and address of each shareholder; shareholder's spouse having a community property interest in the corporation's stock; and each tenant in common, joint tenant, and tenant by the entirety. (A husband and wife (and their estates) are counted as one shareholder in determining the number of shareholders without regard to the manner in which the stock is owned.)	K Shareholders' Consent Statement. Under penalties of perjury, we declare that we consent to the election of the above-named corporation to be an S corporation under section 1362(a) and that we have examined this consent statement, including accompanying schedules and statements, and to the best of our knowledge and belief, it is true, correct, and complete. We understand our consent is binding and may not be withdrawn after the corporation has made a valid election. (Shareholders sign and date below.)	L Stock owned		M Social security number or employer identification number (see instructions)	N Shareholder's tax year ends (month and day)
		Number of shares	Dates acquired		
DIANE WEIHE SIOUX FALLS SD 57116	Signature	Date			
		11/15/00	100	10/15/00	N/A
RENEE MITTERMEIER SIOUX FALLS SD 57116		11/15/00	100	10/15/00	N/A
KARRI TROESTER SIOUX FALLS SD 57116		11/15/00	100	10/15/00	N/A
SERHAT DOBERIN SIOUX FALLS SD 57116		11/15/00	100	10/15/00	N/A

Under penalties of perjury, I declare that I have examined this election, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of officer ▶ *Sample* Title ▶ **SHAREHOLDER** Date ▶ **11/15/00**

For Paperwork Reduction Act Notice, see page 2 of the instructions.

Form **2553** (Rev. 7-99)

ISA
STF FED4589F.1

Part II Selection of Fiscal Tax Year (All corporations using this part must complete item O and item P, Q, or R.)

O Check the applicable box to indicate whether the corporation is:

- 1. A new corporation adopting the tax year entered in item I, Part I.
- 2. An existing corporation retaining the tax year entered in item I, Part I.
- 3. An existing corporation changing to the tax year entered in item I, Part I.

P Complete item P if the corporation is using the expeditious approval provisions of Rev. Proc. 87-32, 1987-2 C.B. 396, to request (1) a natural business year (as defined in section 4.01(1) of Rev. Proc. 87-32) or (2) a year that satisfies the ownership tax year test in section 4.01(2) of Rev. Proc. 87-32. Check the applicable box below to indicate the representation statement the corporation is making as required under section 4 of Rev. Proc. 87-32.

1. Natural Business Year I represent that the corporation is retaining or changing to a tax year that coincides with its natural business year as defined in section 4.01(1) of Rev. Proc. 87-32 and as verified by its satisfaction of the requirements of section 4.02(1) of Rev. Proc. 87-32. In addition, if the corporation is changing to a natural business year as defined in section 4.01(1), I further represent that such tax year results in less deferral of income to the owners than the corporation's present tax year. I also represent that the corporation is not described in section 3.01(2) of Rev. Proc. 87-32. (See instructions for additional information that must be attached.)

2. Ownership Tax Year I represent that shareholders holding more than half of the shares of the stock (as of the first day of the tax year to which the request relates) of the corporation have the same tax year or are concurrently changing to the tax year that the corporation adopts, retains, or changes to per item I, Part I. I also represent that the corporation is not described in section 3.01(2) of Rev. Proc. 87-32.

Note: If you do not use item P and the corporation wants a fiscal tax year, complete either item Q or R below. Item Q is used to request a fiscal tax year based on a business purpose and to make a back-up section 444 election. Item R is used to make a regular section 444 election.

Q Business Purpose — To request a fiscal tax year based on a business purpose, you must check box Q1 and pay a user fee. See instructions for details. You may also check box Q2 and/or box Q3.

- 1. Check here if the fiscal year entered in item I, Part I, is requested under the provisions of section 6.03 of Rev. Proc. 87-32. Attach to Form 2553 a statement showing the business purpose for the requested fiscal year. See instructions for additional information that must be attached.
- 2. Check here to show that the corporation intends to make a back-up section 444 election in the event the corporation's business purpose request is not approved by the IRS. (See instructions for more information.)
- 3. Check here to show that the corporation agrees to adopt or change to a tax year ending December 31 if necessary for the IRS to accept this election for S corporation status in the event (1) the corporation's business purpose request is not approved and the corporation makes a back-up section 444 election, but is ultimately not qualified to make a section 444 election, or (2) the corporation's business purpose request is not approved and the corporation did not make a back-up section 444 election.

R Section 444 Election — To make a section 444 election, you must check box R1 and you may also check box R2.

- 1. Check here to show the corporation will make, if qualified, a section 444 election to have the fiscal tax year shown in item I, Part I. To make the election, you must complete Form 8716, Election To Have a Tax Year Other Than a Required Tax Year, and either attach it to Form 2553 or file it separately.
- 2. Check here to show that the corporation agrees to adopt or change to a tax year ending December 31 if necessary for the IRS to accept this election for S corporation status in the event the corporation is ultimately not qualified to make a section 444 election.

Part III Qualified Subchapter S Trust (QSST) Election Under Section 1361(d)(2)*

Income beneficiary's name and address	Social security number
Trust's name and address	Employer identification number

Date on which stock of the corporation was transferred to the trust (month, day, year)
In order for the trust named above to be a QSST and thus a qualifying shareholder of the S corporation for which this Form 2553 is filed, I hereby make the election under section 1361(d)(2). Under penalties of perjury, I certify that the trust meets the definitional requirements of section 1361(d)(3) and that all other information provided in Part III is true, correct, and complete.

Signature of income beneficiary or signature and title of legal representative or other qualified person making the election _____ Date _____

*Use Part III to make the QSST election only if stock of the corporation has been transferred to the trust on or before the date on which the corporation makes its election to be an S corporation. The QSST election must be made and filed separately if stock of the corporation is transferred to the trust after the date on which the corporation makes the S election.

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, certain individuals, and others. See instructions.)

EIN APPLIED FOR

OMB No. 1545-0003

Keep a copy for your records.

Please type or print clearly.

1 Name of applicant (legal name) (see instructions) BEAUTY CONCEPTS, INC.		3 Executor, trustee, "care of" name KARRI TROESTER	
2 Trade name of business (if different from name on line 1)		5a Business address (if different from address on lines 4a and 4b)	
4a Mailing address (street address) (room, apt., or suite no.) 1821 W 12th		5b City, state, and ZIP code	
4b City, state, and ZIP code SIOUX FALLS, SD 57116		6 County and state where principal business is located MINNEHAHA, SOUTH DAKOTA	
7 Name of principal officer, general partner, grantor, owner, or trustee — SSN or ITIN may be required (see instructions) ▶ KARRI TROESTER			

8a Type of entity (Check only one box.) (see instructions)
Caution: If applicant is a limited liability company, see the instructions for line 8a.

<input type="checkbox"/> Sole proprietor (SSN)	<input type="checkbox"/> Estate (SSN of decedent)
<input type="checkbox"/> Partnership	<input type="checkbox"/> Plan administrator (SSN)
<input type="checkbox"/> REMIC	<input type="checkbox"/> National Guard
<input type="checkbox"/> State/local government	<input type="checkbox"/> Farmers' cooperative
<input type="checkbox"/> Church or church-controlled organization	<input type="checkbox"/> Trust
<input type="checkbox"/> Other nonprofit organization (specify) ▶	<input type="checkbox"/> Federal government/military
<input checked="" type="checkbox"/> Other (specify) ▶ SUB CHAPTER S CORPORATION	(enter GEN if applicable)

8b If a corporation, name the state or foreign country (if applicable) where incorporated

State SOUTH DAKOTA	Foreign country
-----------------------	-----------------

9 Reason for applying (Check only one box.) (see instructions)

<input checked="" type="checkbox"/> Started new business (specify type) ▶ E-BUSINESS	<input type="checkbox"/> Banking purpose (specify purpose) ▶
<input type="checkbox"/> Hired employees (Check the box and see line 12.)	<input type="checkbox"/> Changed type of organization (specify new type) ▶
<input type="checkbox"/> Created a pension plan (specify type) ▶	<input type="checkbox"/> Purchased going business
	<input type="checkbox"/> Created a trust (specify type) ▶
	<input type="checkbox"/> Other (specify) ▶

10 Date business started or acquired (month, day, year) (see instructions)
10/15/00

11 Closing month of accounting year (see instructions)
12/31/00

12 First date wages or annuities were paid or will be paid (month, day, year). Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year) ▶ 11/15/00

13 Highest number of employees expected in the next 12 months. Note: If the applicant does not expect to have any employees during the period, enter -0-. (see instructions) ▶

Nonagricultural	Agricultural	Household
4		

14 Principal activity (see instructions) ▶ SALE OF BEAUTY PRODUCTS VIA THE INTERNET

15 Is the principal business activity manufacturing? Yes No
If "Yes," principal product and raw material used ▶

16 To whom are most of the products or services sold? Please check one box. Business (wholesale) Public (retail) Other (specify) ▶ N/A

17a Has the applicant ever applied for an employer identification number for this or any other business? Yes No
Note: If "Yes," please complete lines 17b and 17c.

17b If you checked "Yes" on line 17a, give applicant's legal name and trade name shown on prior application, if different from line 1 or 2 above.
Legal name ▶ Trade name ▶

17c Approximate date when and city and state where the application was filed. Enter previous employer identification number if known.

Approximate date when filed (mo., day, year)	City and state where filed	Previous EIN

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (Please type or print clearly) ▶ KARRI TROESTER, SHAREHOLDER

Business telephone number (include area code)
N/A

Fax telephone number (include area code)
N/A

Signature ▶ *KarrI Troester* Date ▶

Note: Do not write below this line. For official use only.

Please leave blank ▶	Geo.	Ind.	Class	Size	Reason for applying

SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5077
605-773-4845
FAX (605) 773-4550

FILE NO. _____
RECEIPT NO. _____

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporations is BEAUTY CONCEPTS, INC.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated SOUTH DAKOTA Federal Taxpayer ID # APPLIED FOR

(4) The date of its incorporation is 10/15/00 and the period of its duration, which may be perpetual, is _____

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1821 W 12th SIOUX FALLS, SD Zip Code 57116

mailing address if different from above is: _____
Zip Code _____

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is _____ Zip _____
and the name of its proposed registered agent in the State of South Dakota at that address is _____

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose) SALE OF BEAUTY PRODUCTS VIA THE INTERNET

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
<u>DIANE WEIHE</u>	<u>SHAREHOLDER</u>	<u>SIOUX FALLS,</u>	<u>SD</u>	<u>57116</u>	
<u>RENEE MITTERMEIER</u>	<u>SHAREHOLDER</u>	<u>SIOUX FALLS,</u>	<u>SD</u>	<u>57116</u>	
<u>KARRI TROESTER</u>	<u>SHAREHOLDER</u>	<u>SIOUX FALLS,</u>	<u>SD</u>	<u>57116</u>	
<u>SERHAT DOBERIN</u>	<u>SHAREHOLDER</u>	<u>SIOUX FALLS,</u>	<u>SD</u>	<u>57116</u>	

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>400</u>	<u>A</u>		<u>1.00</u>

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
400	A		1.00

(11) The amount of its stated capital is \$ 400.00
 Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated 11/15/00

Sample
 (Signature)

State of _____
 County of _____

 (Title)

On this _____ day of _____, _____, before me _____ personally appeared _____, known to me, or proved to me, to be the _____ of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My Commission Expires: _____ (Notary Public)

Notarial Seal

The Consent of Appointment below must be signed by the registered agent listed in number six.

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT	
I, _____,	hereby give my consent to serve as the
(name of registered agent)	
registered agent for <u>PROJECT</u>	_____
(corporate name)	
Dated _____	_____
	(signature of registered agent)

FEE SCHEDULE

Authorized capital stock of	\$ 25,000	or less	\$ 90
Over \$25,000 and not exceeding	100,000		110
Over \$100,000 and not exceeding	500,000		130
Over \$500,000 and not exceeding	1,000,000		150
Over \$1,000,000 and not exceeding	1,500,000		200
Over \$1,500,000 and not exceeding	2,000,000		250
Over \$2,000,000 and not exceeding	2,500,000		300
Over \$2,500,000 and not exceeding	3,000,000		350
Over \$3,000,000 and not exceeding	3,500,000		400
Over \$3,500,000 and not exceeding	4,000,000		450
Over \$4,000,000 and not exceeding	4,500,000		500
Over \$4,500,000 and not exceeding	5,000,000		550

For each additional \$500,000, \$40 in addition to \$550.

For purposes only of computing fees under this section, the dollar value of each authorized share having a par value shall be equal to par value and the **value of each authorized share having no par value shall be equal to one hundred dollars per share**. The maximum amount charged under this subdivision may not exceed sixteen thousand dollars.

The proper filing fee must accompany the application. Make checks payable to the Secretary of State.

FILING INSTRUCTIONS:

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or its president, or any other officer. One original and one photocopy of the application must be submitted.

The application must be accompanied by an **original, currently dated, CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING** from the Secretary of State in the state where incorporated. A photocopy of a certificate is not acceptable. It should be dated within ninety days of submitting it to our office.

South Dakota law requires every corporation to continuously maintain a resident of this state as the registered agent (number six on the application). The registered agent's address is considered the registered office address of the corporation in South Dakota. A complete street address must be listed for service of process.

The Consent of Registered Agent portion must be signed by the South Dakota registered agent.

Mail the application, certificate, and filing fee to the Secretary of State, Corporate Division, 500 E. Capitol, Pierre, SD 57501-5070. The duplicate and a Certificate of Authority will be returned for your records.

Appendix B
Financial Analysis
S Corporation versus a C Corporation

Corporate Level

	S Corporation	C Corporation
Gross profit	385,000.00	385,000.00
Operating Expenses	(25,000.00)	(25,000.00)
Salary Expense		
Salary Expense	(64,000.00)	(200,000.00)
FICA Tax (SS & Medicare)	(4,896.00)	(15,300.00)
Unemployment	(640.00)	(2,000.00)
Net Taxable Income before Taxes	290,464.00	142,700.00
Taxes - Corporation		23,903.00
Net Income After Taxes	290,464.00	166,603.00
Dividends	(290,464.00)	(166,603.00)
	<u>0.00</u>	<u>0.00</u>

Shareholder Level (Each - 4 Shareholders)

	S Corporation	C Corporation
Salary	16,000.00	50,000.00
Income from S-Corporation	72,616.00	0.00
Dividend Income	0.00	166,603.00
Net Taxable Income	88,616.00	216,603.00
Tax Due - (Assuming 28% tax bracket)	<u>24,812.48</u>	<u>60,648.84</u>

Shareholder Cash Received	S Corporation	C Corporation
Salary - Net	12,376.00	38,675.00
Dividends	290,464.00	166,603.00
Income Tax Remitted	(24,812.48)	(60,648.84)
Total Cash to shareholder	<u>278,027.52</u>	<u>144,629.16</u>

Net Difference of cash to Shareholder S Versus C Corp. **133,398.36**

Salary Expense:

Employee:	S Corporation	C Corporation
Wages - 4 employees (Shareholders)	64,000.00	200,000.00
Employers Share FICA (SS & Medicare)	(4,896.00)	(15,300.00)
Federal Withholding - 15%	(9,600.00)	(30,000.00)
State Withholding (No State Income Tax)	0.00	0.00
Net To Employee (Shareholder)	<u>49,504.00</u>	<u>154,700.00</u>

Employer:

Employee Share FICA (SS & Medicare)	(4,896.00)	(15,300.00)
Unemployment (Assume 1%)	(640.00)	(2,000.00)

NOTE: a higher wage is generally used at the C Corporation level.
This allows the corporation to receive some benefit for the distributions.

