MINNESOTA SMALL BUSINESS RESOURCE GUIDE

Helping Small Business Start, Grow And Succeed

SCORE®
Counselors to America's Small Business

February, 2010

WWW.SBA.GOV/MN • YOUR SMALL BUSINESS RESOURCE

Minnesota Small Business Resource Guide

A Guide for Business Start-Up and Growth

This Resource Guide is brought to you by the Minnesota SCORE Association, Counselors to America's Small Business.

The Small Business Resource Guide is published in co-operation with SBA's Minnesota District Office.

SCORE®
Counselors to America's Small Business

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February 2010

U.S. Small Business Administration

SBA

Your Small Business Resource

Minnesota District Office
612-370-2324

www.sba.gov/mn ● **Email:** Minneapolis.mn@sba.gov

Did you know that more businesses fail in their first year of operation than any other year? These businesses start off with a good idea, but can frequently fail as a result of poor planning. SBA staff and the SCORE Association have compiled this resource guide with the hope of steering you in the right direction.

Inside you will discover:

- **Business resources available to you**
- **Financing programs**
- **Business start-up kit**

There are many excellent resource providers listed in this guide. However, if you are not able to find one that fits your needs, or have suggestions on how we can better serve, please contact SBA at 612-370-2324 and we will assist you.

SBA's Minnesota District Office

Table of Contents

Business Resources

Counseling, Training, Information Centers
Small Business Planning Center 1
SCORE – Counselors to America's Small Business 2
Small Business Development Centers 4
Women Business Centers 6
Veteran's Assistance 7
Research and Development
Small Business Innovation Research Program (SBIR) 7
Government Contracting Assistance
Surety Bonds 8
8(a) Business Development Program 9
CCR/PRO-Net 10
HUBZone Empowerment Contracting Program 10
International Trade Assistance
U.S. Export Assistance Center 11

Financing Programs

SBA Loans
Basic Terms and Conditions of SBA-Guaranteed Loans 12
7(a) Loan Guaranty Program 14
Special 7(a) Loan Guaranty Programs
Small and Rural Advantage Program 16
CAPLines Loan Program 16
SBA Express Program 16
Patriot Express Loan Program 16
Microloan Program 17
Other SBA Loan Programs
Venture Capital: Small Business Investment Companies 18
504 Certified Development Company Loans 19
Export Working Capital Program 21
SBA Export Express 21
International Trade Loan Program 21
Quick Reference Guide 22

Start-up Kit

The American Dream: Is Entrepreneurship for You? 25
Preparing Your Business Plan 26
How to Choose a Bank that Meets Small Business Needs 30
Checklist for Going into Business in Minnesota 32
Frequently Asked Questions 33
Frequently Requested Website and Telephone Numbers 37

IF YOU WOULD LIKE TO RECEIVE UPDATES ON UPCOMING SBA EVENTS AND PROGRAMS SEND AN E-MAIL TO:
MINNEAPOLIS.MN@SBA.GOV

BUSINESS PLANNING CENTER

2324 University Avenue West
Midtown Commons Building, Ste 112
St. Paul, MN 55114-1843

Phone: (651) 209-1884
Hours: M,W,F 9-4; T,Th 9-7

The Business Planning Center (BPC) in St. Paul offers a variety of programs to small business owners and aspiring entrepreneurs. In addition to their core programs of assisting individuals developing their own business plan, the BPC programs include on-site counseling, volunteer bankers and lawyers as well as loan information seminars.

Business Planning Center Programs and Services:

- **The BPC core program** offers the latest business plan software, marketing plan software and on-site computers to create your own plans and an extensive library of books and publications to help entrepreneurs. Sample business plans are available to study.
- **Members of the SCORE Association, *Counselors to America's Small Business*,** are available everyday and will meet with individuals to answer small business questions. For more information on SCORE, see page 2.
- **A free Small Business Loan Seminar** explaining SBA's loan programs is offered each Thursday from 12:30-2:00 p.m. Attendees will receive sample loan applications, a business start-up kit, and information on how to apply for a loan.
- **On Tuesdays from 4-7 p.m. LegalCORPS** provides legal advice and answers legal questions for entrepreneurs and aspiring entrepreneurs.
- **Each Thursday from 2-6 p.m.** a small business lender is available to answer questions and counsel entrepreneurs and aspiring entrepreneurs. Different Twin Cities area banks rotate their time to have a loan officer available each week to review business plans and discuss the loan application process.
- **A Spanish speaking collaborator** is available to help with general information. No appointment is necessary and there is no charge.
- **Neighborhood Development Center (NDC)** partners with the BPC to provide special small business training programs throughout the year.

No appointment is necessary. All services of the BPC are free and confidential. The BPC is operated by SBA resource partners in the Twin Cities area.

THE SCORE ASSOCIATION - *Counselors to America's Small Business*

SCORE can help your business succeed. SCORE counselors can help take some of the mystery out of getting started and taking control of your career in business.

The SCORE Association is the premiere volunteer business counseling and advice service found in the United States. As a resource partner with the SBA, The SCORE Association provides information vital to small business success. This includes counseling on financing options, business planning, marketing strategies, product development and more. Individual members and counseling teams with diverse business knowledge and experience provide one-on-one, confidential counseling at no cost to the business owner. The SCORE Association presents free Loan Information Seminars in St. Paul:

- **Every Thursday** (excluding government holidays and weather emergency days) from 12:30 p.m. - 2:00 p.m. at the Business Planning Center, 2324 University Ave., Midtown Commons, Suite 112, St. Paul. There is no registration fee and there is no need to pre-register.

~
Failure to Plan
is
Planning to Fail
~

The SCORE Association also presents workshops and business seminars at various locations throughout the state for a modest fee. Topics include:

- Preparing a Business Plan
- Sales and Marketing
- Financing Your Business
- Understanding SBA Lending
- Accounting and Tax Implications

View future workshops and seminars via SCORE's website at:
www.score-mn.org.

SCORE®
Counselors to America's Small Business

*Meeting with SCORE counselors is almost like going before a board of directors. **SCORE's greatest value has been as an open resource for any question I** have.*

Sid Tincher – Swirly Gig Industries

SCORE CONTACT INFORMATION

There are six SCORE Chapters located throughout Minnesota. Starting or expanding a small business can be overwhelming. SCORE can help your business succeed. SCORE counselors help take some of the mystery out of getting started and taking control of your career in business. There is no charge to meet with a SCORE counselor. There is usually a small charge to attend a workshop or seminar. To request free counseling click here for **"Request for Counseling"** form. Or for a schedule of workshops and seminars, contact the SCORE Chapter via **SCORE's website** or call the chapter most convenient to you.

Minneapolis (952) 938-4570
www.score-minneapolis.org

Red Wing (651) 388-4719 X 20
www.score-redwing.org

Rochester (507) 288-8103
www.score-rochester.org

South Metro (952) 890-7020
www.score-southmetro.org

St. Cloud (320) 240-1332
www.stcloudscore.org

St. Paul (651) 632-8937
www.score-stpaul.org

Accountability to Stay on Track

Polish Your Star, LLC
Julie Moore Rapacki

After spending 19 years at the nation's largest consumer electronics retailer, negotiating hundreds of agreements, managing projects and programs, supervising and influencing others, and exploring career development and empowerment, Julie assessed her talents and started her own business.

Early on, Julie sought help from SCORE as an objective, unbiased review of her start-up, marketing, banking and sales plans. SCORE provided valuable advice and insights to small business challenges. *She says, "SCORE gave me reality checks and kept me accountable to my goals." Julie received additional counseling and support from the Business Planning Center for business planning resources and software.*

SMALL BUSINESS DEVELOPMENT CENTERS

The Minnesota Small Business Development Centers (MNSBDC) offer confidential one-on-one business counseling and group training to those that are interested in expanding or starting a small business in Minnesota. Training programs and special projects are provided either at no cost or for a nominal fee. Most MNSBDC's are located within an hour drive of a business client's residence.

SBDC counselors have significant experience in the private sector, and many have extensive management and financial consulting backgrounds. Many SBDCs also use qualified faculty, students and volunteers to enhance their counseling services. SBDC counselors are highly regarded by clients for their business skills and expertise.

The MNSBDC counseling service primarily focuses on assisting existing/growing businesses in the areas of:

- business planning
- marketing
- e-commerce technology
- financial analysis
- loan packaging

Directly and through collaboration with other resource organizations, the MNSBDC program also offers assistance and referrals in:

- regulatory compliance assistance
- information technology
- exporting
- government procurement
- federal research/development opportunities

While the MNSBDC's do not administer loan or grant programs, their network of counselors help small business to assess funding options, identify financing sources, evaluate eligibility, and help prepare documentation that lenders require.

To view a listing of workshops or to submit a request for counseling services go to **www.mnsbdc.com** or see list of regional offices on page 5.

MINNESOTA SMALL BUSINESS DEVELOPMENT CENTERS

Shaping the Future of Small Business

SBA WEBSITE • *Small Business Planner*

Small Business Planner
www.sba.gov/smallbusinessplanner

Manage your business from start to finish. Careful planning is fundamental to success. The Small Business Planner includes information and resources that will help you at any stage of the business lifecycle.

- ***Plan your Business***
- ***Start Your Business***
- ***Manage Your Business***
- ***Getting Out***

SBDC CONTACT INFORMATION

MnSBDC STATE OFFICE
Minnesota Department of Employment and Economic Development
Michael W. Myhre
SBDC State Director
(651) 259-7420 (phone)
(877) 653-8333 (toll-free)
Michael.Myhre@state.mn.us

www.mnsbdc.com

NORTHWEST MnSBDC
Bemidji State University
Jorge Prince
SBDC Regional Director
(218) 755-4255 (phone)
jprince@bemidjistate.edu

WEST CENTRAL MnSBDC
Minnesota State University Moorhead
Leonard Sliwoski
SBDC Regional Director
(218) 477-2289 (phone)
sliwoski@mnstate.edu

SOUTHWEST MnSBDC
Southwest Minnesota State University
Liz Struve
SBDC Regional Director
(507) 537-7386 (phone)
Liz.Struve@SMSU.edu

NORTH CENTRAL MnSBDC
Central Lakes College, Brainerd
Greg Bergman
SBDC Regional Director
(218) 855-8145 (phone)
gbergman@clcmn.edu

CENTRAL MnSBDC
St. Cloud State University
Barry Kirchoff
SBDC Regional Director
(320) 308-4842 (phone)
BCKirchoff@stcloudstate.edu

SOUTH CENTRAL MnSBDC
Region Nine Development Commission
Mike Nolan
SBDC Regional Director
(507) 389-8881 (phone)
mike@rndc.org

NORTHEAST MnSBDC
University of Minnesota Duluth
Elaine Hansen
SBDC Regional Director
(218) 726-6793 (phone)
ehansen@umdced.com

METRO AREA MnSBDC
University of St. Thomas, Minneapolis/St. Paul
Michael Ryan
SBDC Regional Director
(651) 962-4500 (phone)
mpryan@stthomas.edu

SOUTHEAST MnSBDC
Rochester Community and Technical College
Michelle Pyfferoen
SBDC Regional Director
(507) 285-7425 (phone)
michelle.pyfferoen@roch.edu

MINNESOTA WOMEN'S BUSINESS CENTERS

Two Women's Business Centers are located in Minnesota

Women's Business Network

Northeast Entrepreneur Fund
8355 Unity Drive, Suite 100
Virginia, MN
(218) 749-4191
www.entrepreneurfund.org

As the first Women's Business Network to serve northeast Minnesota and northwest Wisconsin, the Women's Business Networks purpose is to help women in the region start, stabilize, or expand their own small businesses; identify and address barriers for women business owners; publicly raise awareness of women entrepreneurs; and be a central voice by advocating for women business ownership issues.

Programs and Services:
Networking events
Business seminars
Mentorship opportunities
One-on-one business consulting
Business financing

WomenVenture

2324 University Ave. W.
St. Paul, MN
(651) 646-3808
(866) 646-3808
www.womenventure.org

Today's woman has many career and business opportunities in an ever changing marketplace. With this vast array of options comes the struggle to make the right choice, sort through all the information and understand all the options.

WomenVenture is a leader in providing the technical tools and emotional support to help you start and grow your business, find a new job, or develop a new career path.

WomenVenture is committed to helping you focus your energy, systematically plan, identify resources and carry out your goals in a nurturing and supportive setting .

Veterans Assistance

SBA assists veterans, reservists and other members of the active military community operating or seeking to start a small business. Financial assistance includes SBA guaranteed Patriot Express loans and economic injury loans to businesses adversely affected by deployment of key employee reservists. Additionally, SBA works with veteran service organizations, county veteran service officers, and other organizations to inform veterans of financial assistance possibilities, government procurement opportunities and management and technical resources.

All SBA resource partners are keenly aware of the service and sacrifices made by America's veterans and are eager to extend a warm welcome and ready access to all services offered.

Small Business Innovation Research

The Small Business Innovation Research (SBIR) Program is a highly competitive three -phased research and development funding system which provides qualified small businesses with opportunities to propose innovative ideas that meet specific research and development needs of the Federal Government. Ten federal agencies participate in this program:

- Agriculture
- Commerce
- Defense
- Education
- Energy
- Environmental Protection Agency
- Health and Human Services
- National Aeronautics and Space Administration
- National Science Foundation
- Transportation

More information can be found by contacting the Minnesota Department of Employment and Economic Development at **(651) 282-6714** or go to: **www.sba.gov/sbir**

After losing his job of over 20 years, Phillip Porter decided to start his own business. As he considered the possibilities, he began cataloguing the valuables in his home. He discovered the merits of keeping an up-to-date inventory and he figured others would pay for the service, and a business was born. He started the electronic inventory business in March 2005. ***"SCORE provided valuable advice on marketing and structuring the company."***

Tracking Your Treasures • Crystal Treasures, Inc. (CTi) • Phillip Porter

RESOURCES FOR YOUR BUSINESS

Surety Bond Program

A surety guarantee, an agreement between a surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract.

SBA can guarantee bonds for contracts up to $5 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels.

For more information, call the SBA Surety Bond Specialist at **(215) 580-2727** or go to **www.sba.gov/services** and click on Surety Bonds.

Not All Parts of a Business Plan are Created Equal

All points of a business plan deserve your consideration, but admittedly, some deserve more careful attention than others:

- **Marketing** – Nothing is more important than knowing your market. The most innovative product or idea in the world won't make money if its inventor can't find customers for it. The greater part of your planning efforts should go into a market study. Define who you are going to sell to and how you are going to get them to buy from your company.

- **Cash Flow** – At its most basic, a cash flow projection is nothing more than a projection of your checking account. Note that cash flow is not the same as profit. A business with good cash flow may not show profits, while a business showing profits may be in bankruptcy because it has insufficient cash to pay its debts. ***Remember cash, not profits, pays the bills.*** To do a cash flow projection you must understand the movement of cash through your business operation. You need to know the amount of starting cash, then estimate cash receipts and cash payments during a period (usually one month). With practice a good manager can forecast cash needs in advance and can avoid being cash starved at critical times.

- **Break-even Point** – The break-even point is that level of sales needed to cover the fixed and variable costs of providing your product or service. Each unit of sales brings in revenue, but also has associated costs. It is important to know the point at which all costs are met and further sales will begin to generate profits.

8 (a) Business Development Program

The 8(a) Business Development Program is designed to assist businesses owned and controlled by individuals that are both 'socially and economically disadvantaged." Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans and Subcontinent Asian Americans are presumed to be socially disadvantaged. Individuals who are not members of these groups that can demonstrate that they have personally experienced discrimination may also be eligible to participate in the 8(a) BD program.

Eligible businesses must show a "potential for success" including proof of operations for at least two years to qualify. Program benefits include training in marketing and management, and access to negotiated contracts with federal agencies.

Additional information about the program including an online assessment tool and the online application can be found at **www.sba.gov/8abd**. For additional information or assistance regarding the 8(a) BD program please call (612) 370-2316.

- ✓ ***If you would like to do some online research the SBA's Office of Government Contracting is a good place to start. The web address is www.sba.gov/GC.***

- ✓ *Small businesses wanting to sell to the government should plan on attending the Federal Executive Boards SADBOC Government Procurement Fair on April 28, 2010 at the Earle Brown Heritage Center in Brooklyn Center,* ***MN. SBA's website will have registration information closer to the event.*** *www.sba.gov/mn. There is no charge to attend this event.*

- ✓ *Certification Programs for Your Business: A number of certification programs are available to diverse small businesses looking to sell to government or corporate customers. SADBOC* has gathered certification program information from federal, state and local government agencies and summarized them all at its website www.doi.gov/febtc/sadboc.*

***Federal Executive Board of Minnesota's Small and Disadvantaged Business Opportunity** Council (SADBOC).*

Central Contractor Registration (CCR)/Dynamic Small Business Search

The CCR/Dynamic Small Business Search is a free online database of small businesses interested in selling to government entities and to private-sector businesses. Potential buyers of products and services search the CCR/ Dynamic Small Business Search database for small businesses offering to supply them.

In addition to the marketing information contained in the Dynamic Small Business Search Database, the CCR record includes banking information needed for electronic funds transfer (EFT). Vendor payments made by federal agencies are made on the basis (EFT) information contained in CCR. To register in CCR go to: **www.ccr.gov** and complete a vendor profile online. A valid DUNS number is mandatory for registration. A DUNS number can be obtained free of charge from Dun & Bradstreet at **(888) 333-0505**.

Using the information supplied by the small businesses, buyers can search the CCR/Dynamic Small Business Search Database by keyword such as business location or product category; by ownership type; by NAICS Code; or by a combination of these and other search criteria. The CCR/ Dynamic Small Business Search also serves as the official list of SBA certified 8(a) and HUBZone small businesses.

HUBZone Empowerment Contracting Program

The HUBZone Program is a place-based program that is designed to encourage economic development in Historically Under-utilized Business Zones or HUBZones through preferences in Federal Government contracting. To be eligible, a small business must be located in a designated HUBZone and 35% of its employees must reside in HUBZones. Certification is required. The HUBZone Program is designed as a virtual program with all of the necessary information, including an online application, available at **www.sba.gov/hubzone**.

US EXPORT ASSISTANCE CENTER

The U.S. Export Assistance Center (USEAC)

offers the assistance needed for exporters to compete and succeed in the global marketplace. USEAC professionals help small business with market research, trade finance, customized counseling, consulting and advocacy, trade events and international partners.

For information or assistance with the following SBA export financing programs call **(612) 348-1642** or go to the Minnesota District Office website: **www.sba.gov/mn**, the Office of International Trade: **www.sba.gov/international** or the Minnesota District Export Council: **www.exportassistance.com**.

SMALL BUSINESS TRAINING NETWORK

The Small Business Training Network is an Internet-based training site. It provides small businesses with free online courses, workshops, learning tools and direct access to electronic counseling and other forms of technical assistance.

The Training Network is a vehicle for knowledge

≈

Find the SBTN at www.sba.gov/training

Key Features of the SBTN:

- Trianing is available anytime and anywhere - all you need is a computer with internet access.
- More than 23 free online courses and workshops available.
- Offers a comprehensive e-library with hundreds of e-publications, electronic tools and information resources.
- Online, interactive assessment tools are featured and used to direct clients to appropriate training.

SBA LOAN PROGRAMS

Getting Approved

Many entrepreneurs need financial resources to start or expand a small business themselves and must combine what they have with other sources of financing. These sources can include family and friends, venture-capital financing, and business loans.

Note: The SBA does not offer grants to individual business owners to start or grow their business. The only grants the SBA is authorized to provide are for entities to provide business management technical assistance to other businesses.

When you seek a business loan, familiarize yourself with the SBA business loan programs to see if they may be a viable option. The three principal players in each of these programs are: the small business, the lender and the SBA. SBA guarantees a portion of the loan.

The business should have its business plan prepared before it applies for a loan. Take advantage of the services offered by the Business Planning Center, The SCORE Association, Small Business Development Centers or Women's Business Centers to help you develop your plan. This plan should explain what resources will be needed to accomplish the desired business purpose including the cost of everything, the applicants' contribution, use of loan proceeds, collateral, and most important, an explanation of how the business will be able to repay the loan in a timely manner. SBA has an online site devoted to help you write your business plan at: www.sba.gov/smallbusinessplanner.

SBA U.S. Small Business Administration

2009 RECOVERY ACT

For up-to-date information on how the American Recovery and Reinvestment Act of 2009 helps your business, visit our website at:

www.sba.gov/recovery

If you would like to receive updates on SBA programs and services, send us an email and you will be added to our email list:

MINNEAPOLIS.MN@SBA.GOV

What to take to the Lender

Documentation requirements may vary -- contact your lender for the information you must supply. Common requirements include the following:

- Business Plan for new businesses, see outline on page 26
- History of the business
- Business organization documents
- Purpose of the loan and amount being requested
- Amount of investment in the business by the owner(s)
- Lease or purchase details
- Franchise documentation for franchise businesses
- Resume(s) of the principal owners and managers, including management skills
- Personal financial statements on the principal owners
- Market research
- Projections of income, expenses and cash flow as well as the assumptions
- Projected opening-day balance sheet (new businesses)
- Financial statements for three years: balance sheet, income statement, cash flow and sources and uses of funds (existing businesses)
- Schedule of term debts (existing businesses)
- Aging of accounts receivable and payable (existing businesses)
- List of collateral

The lender will analyze the application to see if it meets the lender's criteria as well as SBA requirements. SBA will look to the lender to do much, if not all, of the analysis before it provides its guaranty on the lender's loan or provides the microlenders with funds to re-lend to the business. The SBA's business loan programs provide a key source of financing for viable small businesses that have real potential, but cannot qualify for loans from traditional sources.

About the SBA • www.sba.gov

*SBA -**Your** Small Business Resource*

Every day, the U.S. Small Business Administration and its nationwide network of partners help millions of potential and current small business owners start, grow and succeed.

Resources and programs targeting small businesses provide an advantage necessary to help small businesses effectively compete in the marketplace and strengthen the overall U.S. economy.

7(a) LOAN

SBA Loan Guaranty Programs

The SBA offers many financing options through its loan guaranty program. Under the program, participating banks or other private lenders make loans directly to small business clients and SBA provides a loan guarantee. By assuming some of the risk, the SBA guaranty makes it easier for a small business client to obtain a loan.

Note: ***The borrower should understand that the guaranty programs are available, but it is important to allow the lender to decide which program best meets the lenders needs.***

Eligibility

- Business must be for profit
- Meets SBA size standards (posted online at www.sba.gov/size)
- Applicant of good character, demonstrates sufficient management expertise, commitment to provide reasonable assurance of successful business operation
- Applications must include historical earnings, cash flow records, probable future earnings that clearly demonstrate ability to repay the loan
- SBA requires a capital injection and collateral, although we can be more liberal than the lenders can be without the guaranty.

Loan Limits

- Maximum loan amount, $2,000,000
- Maximum SBA can guaranty, $1,500,000
- Fee 2% — 3.5% on the guaranteed portion, depending on the loan amount

Loan Term

- 5 to 7 years for working capital
- 10 years for fixed assets
- 25 years for real estate acquisition/construction

Structure

Most loans are repaid with monthly payments of principal and interest. For fixed-rate loans the payments stay the same whereas for variable rate loans the lender can re-establish the payment amount when the interest rates change or at other intervals as negotiated with the borrower.

There are no balloon payments or call provisions allowed on any 7(a) loan. The lender may not charge a prepayment penalty if the loan is paid off before maturity, but the SBA will charge the borrower a prepayment fee if the loan has a maturity of 15 or more years and is pre-paid during the first three years.

7(a) Loan Guaranty Programs

- Basic 7 (a)
- Patriot Express
- Small and Rural Advantage
- **CAPLines**
- **SBA***Express*

www.sba.gov/financing

Basic 7(a) Loan Guaranty Program

The basic 7(a) Loan Guaranty program provides funds to existing or business start-ups for almost any legitimate business purpose including the purchase of land and buildings, construction, machinery and equipment, inventory and working capital. Participating lenders loan their funds but the SBA guaranties a portion of that loan. The interest rates are negotiated, but SBA does establish ceilings. Loan maturities vary depending upon the use of the funds. The maximum size of the loan is $2,000,000; therefore, the maximum SBA guaranty is $1,500,000. For more information visit www.sba.gov/financing

Small and Rural Advantage Program

The Small/Rural Lender Advantage is part of a broader SBA initiative to promote the economic development of local communities, particularly those facing the challenges of population loss, economic dislocation, high unemployment, etc. This initiative is part of the Agency's 7(a) loan guaranty program and is designed to encourage small community/rural lenders to partner with SBA by simplifying and streamlining the Agency's loan application process and procedures, particularly for smaller SBA loans.

CAPLines Loan Program

CAPLines is a lending program that helps small businesses meet their short-term and cyclical working capital needs. The maximum amount of SBA's guaranty cannot exceed $1,500,000 or 75% of the amount needed – whichever is less. There are five short-term working capital loan categories under CAPLines:

- Seasonal Line
- Small Asset-Based Line
- Builders Line
- Standard Asset-Based Line
- Contract Line

SBA*Express* Loan Program

SBA*Express* is available to lenders as a way to obtain a guaranty on smaller loans up to $350,000. Express lenders use mostly their own forms, analysis and procedures to process, service and liquidate SBA-guaranteed loans. This program provides Express lenders with a faster turn-around from SBA and less paper-work for both the lender and the borrower. Funds for nearly all business uses are allowed (as under the 7(a) program) but SBA can also guaranty a revolving line of credit under this program. Most guarantees are limited to 50%, but there are exceptions. The guaranty fees are the same as the 7(a) program. Find Minnesota Express lenders on the SBA website: www.sba.gov/mn under finance and PLP/express lenders.

Patriot Express Loan Program

This program is specifically designed for members of the Military, in the military's transition assistance program, National Guard members, Reservists and the spouses of each of the above. This program provides the same efficiency of the Express program but allows for loans up to $500,000.

7(m) MicroLoan Program

This program allows the SBA to make funds available to qualified nonprofit organizations which act as intermediary lenders. The intermediaries use these funds to make loans of up to $35,000 to new and existing small businesses. In addition, the intermediaries provide management and technical assistance designed to help ensure success. The intermediaries lend within their service area. This is not a statewide program.

Terms & Interest Rates

The maximum term is six years. Interest rates can be up to 8.5% over the intermediary's cost of borrowing from the SBA. Microloans are direct loans from the intermediary lenders. They are not guaranteed by the SBA.

Collateral & Eligibility

Each intermediary lender will have its own requirements regarding collateral and personal guaranties.

Virtually all types of for-profit businesses that meet standards for the 7(a) Loan Guaranty Program may apply for a Microloan, provided there is a microlender in the geographic area of the business. Contact one of the microlenders below to see if your business is located within their territory. Microlender servicing areas can be viewed online at: **www.sba.gov/financing**, Approved Microloan Participants.

MINNESOTA SBA MICROLENDERS:

Neighborhood Development Center
St. Paul, MN
651-291-2480
www.ndc-mn.org

Northeast Entrepreneur Fund, Inc.
Virginia, MN
218-749-4191 800-422-0374
www.entrepreneurfund.org

Northwest Minnesota Foundation
Bemidji, MN
218-759-2057
www.nwmf.org

Southern Minnesota Foundation
Owatonna, MN
507-455-3215
www.smifoundation.org

Southwest Initiative Foundation
Hutchinson, MN
320-587-4848
www.swmnfoundation.org

WomenVenture
St. Paul, MN
651-646-3808
www.womenventure.org

Venture Capital

Small Business Investment Companies (SBIC's) are privately-owned and operated. They are a licensed and regulated extension of the SBA. They make venture investments by supplying equity capital and extending unsecured loans and loans not fully collateralized to small enterprises which meet their investment criteria. To locate a Small Business Investment Company in your area, visit **www.sba.gov/financing**.

Helpful Resources include:

- ***The SCORE Association***
- ***Business Planning Center***
- ***Small Business Development Centers***
- ***Women Business Centers***
- ***SBA's Small Business Training Network: www.sba.gov/training.***

ABOUT THE SBA • *Your Small Business Resource*

Every day, the U.S. Small Business Administration and its nationwide network of partners help millions of potential and current small business owners start, grow and succeed.

Resources and programs targeting small businesses provide an advantage necessary to help small businesses effectively compete in the marketplace and strengthen the overall U.S. economy.

For 24/7 access to small business news, information and training for entrepreneurs.

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Visit SBA online at:

www.sba.gov

SBA offers help in the following areas:

- ***Starting a Business***
- ***Financing a Business***
- ***Growing a Business***
- ***International Trade***
- ***Opportunities in Contracting***
- ***A Voice for Small Business in Government***

Long-Term Fixed-Asset Lending

The 504 Certified Development Company Program provides growing businesses with long-term, fixed rate financing for major fixed assets, such as land and buildings. The program is designed to enable existing small businesses to create and retain jobs. Typically, a 504 project includes:

• A loan secured with a senior lien on the financed asset made by a private-sector lender (covering 50 percent of the fixed financing)

• A loan secured with a junior lien made by a CDC (funded by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the financing

• At least 10 percent is contributed by the small business or some other non-federal source who will take a third collateral position

The SBA-guaranteed debentures are pooled monthly and sold to private investors. The maximum SBA debenture is $1.5 million with a few exceptions that can go as high as $4 million. Proceeds from 504 loans must be used for fixed-asset projects, such as constructing, modernizing, renovating, converting existing facilities, or purchasing land and improvements, including:

- existing buildings
- grading
- street improvements
- utilities
- parking lots
- landscaping
- machinery
- equipment

The 504 program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Interest Rates & Fees

Interest rates on 504 loans are fixed at the time of the debenture sale. The interest rates approximate the market rate for five- and 10-year U.S. Treasury issues, plus a small increment. Maturities of 10 and 20 years are available.

Collateral & Eligibility

In addition to the fixed-asset mortgage, personal guaranties on the owners of 20% or more of the business are required.

To be eligible, a business with its affiliates must be operated for profit and fall within the size standards set by the SBA. The business must also have a tangible net worth of $8.5 million or less and an average net income of $3 million or less after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment.

Contact a CDC directly for more information about the 504 program.

504 CDC CONTACT INFORMATION

Central Minnesota Development Company
1885 Station Parkway, Suite A
Andover, MN 55304
763/784-3337
www.cmdcbusinessloans.com

Minnesota Business Finance Corporation
616 Roosevelt Road, Suite 200
St. Cloud, MN 56301
320/255-1685 or 800/593-0123
www.mbfc.org

Prairieland Economic Development Corporation
1 Prairie Drive
Slayton, MN 56172-1142
507/836-6656 or 800/507-9003
www.prairielandedc.com

SPEDCO
2459 15th St NW, Suite A
New Brighton, MN 55112
651/631-4900
www.spedco.com

504 Corporation
220 South Broadway, Suite 100
Rochester, MN 55904
507/288-6442
www.504corporation.com

Twin Cities-Metro Certified Development Company
3495 Vadnais Center Drive
Vadnais Heights, MN 55110
651/481-8081
www.504lending.com

SBA EXPORT FINANCING PROGRAMS

Export Working Capital Program —

The Export Working Capital Program (EWCP) supports export financing to small businesses when most banks do not provide working capital advances on export orders, export receivables or letters of credit. The EWCP provides lenders with up to a 90% guaranty on export loans as a credit enhancement, so that the lender will make the necessary export working capital available to small business exporters. The maximum loan amount is $2,000,000, with a loan guaranty fee of ¼% for a 12-month loan.

SBA Export*Express* —

SBA Export*Express* helps 7(a) businesses that have exporting potential, but need funding to buy or produce goods, finance export development activities, and/or provide services for export. Loan applicants must demonstrate that the loan proceeds will enable them to enter a new export market or expand an existing export market. The SBA guaranty is up to 85% to a maximum loan amount of $250,000.

International Trade Loan Program —

The International Trade Loan Program (ITL) helps small businesses finance facilities and/or equipment and can provide working capital to assist them in exporting their products. To qualify for this program, the applicant must establish that the loan will expand existing export markets or develop new export markets; or that the business is adversely affected by import competition. The use of proceeds is limited to working capital and purchase of facilities and/or equipment. SBA can guarantee a maximum of 75% of a loan up to $2,000,000.

EXPORTING HIGHLIGHTS

- *Export gains were widespread across the State's major markets and industries.*
- *Canada, China and the Philippines led in export gains by value.*
- *Canadian demand for Minnesota's transportation equipment, food, and computers and electronics continued to be strong.*
- *The Philippines was key to export growth for computer and electronics products, while Belgium led in export growth of machinery.*

Attribute	Standard 7(a)	Certified Lenders Program (CLP)	Preferred Lenders Program (PLP)	SBA Express
Geographic Area	Nationwide	Nationwide	Nationwide	Nationwide
Borrower Portion of SBA Application	SBA Form 4 plus required attachments.	Same as Standard 7(a)	Same as Standard 7(a)	SBA Express forms (1919 and 1920 or 2238) require abbreviated information and no exhibits.
Lender Portion of SBA Application	Full credit analysis by lender on Form 4-I. Submitted to SBA for its review prior to SBA approval. Eligibility Questionnaire may be completed by lender but is not required.	Same as Standard 7(a)	Full credit analysis by lender using Form 4-I. but not submitted to SBA prior to approval. Eligibility checklist must be completed by lender and submitted to SBA.	Full credit analysis using lender's own form, but not submitted to SBA prior to approval. Lender is delegated the credit decision and completes an eligibility checklist which is submitted to SBA. Some lenders are delegated the eligibility determination as well.
Type of Loan	Short-term (12 months) or Long-term loan (No revolving features.)	Same as Standard 7(a)	Same as Standard 7(a)	Same as Standard 7(a) PLUS may be a Revolving Line of Credit.
Loan Decision	SBA approves the loan for both credit and eligibility.	Same as Standard 7(a)	Lender is delegated the credit decision and completes an abbreviated checklist for eligibility which SBA reviews.	Lender is delegated the credit decision and completes an abbreviated checklist for eligibility which SBA reviews unless the lender is "eligibility authorized."
Target Processing time	6 business days.	3 business days.	1 business day.	1 business day.
Centralized Processing	Yes. Standard 7(a) Loan Guaranty Processing Center - Sacramento, CA and Hazard, KY. Complete review of credit and eligibility by SBA loan officers.	Same as Standard 7(a) except that analysis by SBA relies principally on the Lender's analysis resulting in shorter review time by SBA.	Yes. Sacramento, CA. Abbreviated review of eligibility checklist by SBA loan officers.	Yes. Sacramento, CA. Abbreviated review of eligibility checklist by SBA loan officers, unless lender is eligibility authorized.
E-tran Available	No, lender may submit by mail, fax, and e-mail.	Same as Standard 7(a)	Available.	Available.
Maximum loan amounts	General rule is gross loan amount limited to $2,000,000 per loan. SBA guaranty amount limited to $1,500,000 to one borrower (and any affiliates).	Same as Standard 7(a)	Same as Standard 7(a)	Limited to $350,000 (gross) (including any outstanding SBAExpress, Community Express, Patriot Express, and Export Express loans.)
Percent of Guaranty	85% for loans of $150,000 or less. 75% for loans over $150,000.	Same as Standard 7(a)	Same as Standard 7(a)	50%
Maximum Maturity	WC - 10 Years F&F, M&E - Useful life Real Estate - 25 years	Same as Standard 7(a)	Same as Standard 7(a)	Maximum 7 years for Revolving Lines of Credit including term out period. Otherwise, same as Standard 7(a).
Maximum Interest Rates	Prime + 2.25% for maturities under 7 years. Prime + 2.75% for 7 years or more. Rates can be higher by 2% for loans of $25,000 or less; and 1% for loans between $25,000 and $50,000.	Same as Standard 7(a)	Same as Standard 7(a)	Loans $50,000 or less: Prime + 6.5%. Over $50,000: Prime + 4.5%.
Collateral Policy	Available collateral (liquidation value) up to loan amount.	Same as Standard 7(a)	Same as Standard 7(a)	$25,000 or less, no collateral required. Over $25,000, lenders may use their own collateral policies used for their non-SBA-guaranteed loans.
SBA Guaranty Fees (Multiply percentage times guaranteed amount, not gross amount.)	Maturity of 12 months or less = 0.25% <u>Maturities over 12 Months</u> : Gross loan: $150,000 or less = 2.0% $150,001 -$700,000 = 3.0%: $700,001 - 1,000,000 = 3.5% For amounts over $1,000,000 = 3.75% On-going guaranty fee = 0.494% (FY 2008)	Same as Standard 7(a)	Same as Standard 7(a)	Same as Standard 7(a)
SBA Prepayment Penalty	Yes if term of loan is for 15 years or more and prepaid in first 3.	Same as Standard 7(a)	Same as Standard 7(a)	Same as Standard 7(a)
Lender Agreements with SBA	All lenders must execute Form 750. (and 750B for short term loans)	Same as Standard 7(a)	Same as Standard 7(a) PLUS Supplemental Agreement which must be renewed every 2 years.	Same as Standard 7(a) PLUS Supplemental Agreement which must be renewed every 2 years.

QUICK REFERENCE TO SBA LOAN GUARANTY PROGRAMS

7(a) Pilot Program Loans: Community Express, Export Express and Patriot Express

Process Attributes	Community Express (est. 1999.) - RESERVED	Export Express (est. 1999)	Patriot Express (est. 2007)
Eligibility Restrictions	RESERVED	Applicant must demonstrate that loan proceeds will enable them to enter a new export market or expand an existing export market. In addition, applicant must have been in operation, though not necessarily in exporting, for at least 12 months.	Applicant must be owned and controlled (51 percent or more) by one or more of the following groups: veteran, active duty military participating in the military's Transition Assistance Program (TAP), reservist or national guard member of a spouse of any of these groups, or a widowed spouse of a service member or veteran who died of a service-connected disability.
Borrower Portion of SBA Application	Form requires abbreviated information and no exhibits.	Form requires abbreviated information and no exhibits.	Form requires abbreviated information and no exhibits.
Lender Portion of SBA Application	Form requires abbreviated information and no exhibits. No credit review by SBA.	Form requires abbreviated information and no exhibits. No credit review by SBA.	Form requires abbreviated information and no exhibits. No credit review by SBA.
Loan Decision	Lender is delegated the credit decision and completes an abbreviated checklist for eligibility which SBA reviews.	Lender is delegated the credit decision and completes an abbreviated checklist for eligibility which SBA reviews, unless the lender is eligibility authorized.	Lender is delegated the credit decision and completes an abbreviated checklist for eligibility which SBA reviews, unless lender is eligibility authorized.
Target Proc. Time	1 business day.	1 business day.	1 business day.
Cent. Processing	Yes. Sacramento, CA. Abbreviated review of eligibility checklist by SBA loan officers.	Yes. Sacramento, CA. Abbreviated review of eligibility checklist by SBA loan officers, unless lender is eligibility authorized.	Yes. Sacramento, CA. Abbreviated review of eligibility checklist by SBA loan officers, unless lender is eligibility authorized.
E-tran Available	Available.	Available.	Available.
Maximum loan amounts	Limited to $250,000 (gross) (including any outstanding SBAExpress, Community Express, Patriot Express, and Export Express loans.)	Limited to $250,000 (gross) (including any outstanding SBAExpress, Community Express, Patriot Express, and Export Express loans.)	Limited to $500,000 (gross) (including any outstanding SBAExpress, Community Express Patriot Express, and Export Express loans.)
Percent of Guaranty	v85% for loans of $150,000 or less. 75% for loans over $150,000.	85% for loans of $150,000 or less. 75% for loans over $150,000.	85% for loans of $150,000 or less. 75% for loans over $150,000.
Maximum Maturity	Same as SBAExpress	Same as SBAExpress	Same as SBAExpress
Maximum Interest Rates	RESERVED	Same as SBAExpress	Same as Standard 7(a)
Collateral Policy	Same as SBAExpress	Same as SBAExpress	Same as SBAExpress up to $350,000. Over $350,000, the lender must secure the loan with all available collateral.
SBA Guaranty Fees (Multiply percentage times guaranteed amount, not gross amount.)	Same as Standard 7(a)	Same as Standard 7(a)	Same as Standard 7(a)
SBA Prepayment Penalty	Same as Standard 7(a)	Same as Standard 7(a)	Same as Standard 7(a)
Other Fees a Lender May Charge	RESERVED	Same as for SBAExpress	Same as for SBAExpress
Lender Supplemental Agreement	Community Express Supplemental Guaranty Agreement	SBAExpress lenders qualify for this program. No separate Export Express supplemental agreement is required.	Patriot Express Supplemental Guaranty Agreement.
Technical Assistance	Lender must provide technical assistance.	Provided by the USEACs.	None required. However, SBA emphasized its existing technical assistance programs such as SCORE and the SBDCs as part of the overall Patriot Express initiative.

2010 SMALL BUSINESS WEEK

National Small Business Week 2010 May 23 - May 25

Every year since 1963, the President has proclaimed National Small Business Week to recognize the contributions of small businesses to the strength and economic well-being of America. Each year, the U.S. Small Business Administration also recognizes the special impact made by outstanding small business owners, and by champions of **America's entrepreneurs.**

In 2009, National Small Business Week honored the estimated 26.8 million small businesses in America. Small businesses are the backbone of the American economy, and their impact is huge. They represent 50 percent of the non-farm GDP. They also create 60-80 percent of new jobs in the country. Through the work of entrepreneurs, jobs are created, families are given hope for a better life, and indeed, whole communities are transformed.

Visit the Small Business Administration website to learn about nomination procedures.
www.nationalsmallbusinessweek.com/

2009 Minnesota Small Business Award Winners

SMALL BUSINESS PERSON OF THE YEAR
ANDREW WELLS
WELLS TECHNOLOGY
BEMIDJI, MN

FINANCIAL SERVICES CHAMPION
RICHARD BEESON
PARK MIDWAY BANK
ST. PAUL, MN

MINORITY SMALL BUSINESS CHAMPION
EDGARDO RODRIGUEZ
METROPOLITAN ECONOMIC DEVELOPMENT ASSOCIATION (MEDA)
MINNEAPOLIS, MN

VETERAN SMALL BUSINESS CHAMPION
THOMAS KOOPMEINERS
U.S. ARMY CORPS OF ENGINEERS
ST. PAUL, MN

WOMEN IN BUSINESS CHAMPION
ELAINE HANSEN
UNIVERSITY OF MINNESOTA (UMD)
CENTER FOR ECONOMIC DEVELOPMENT
DULUTH, MN

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National Minority Enterprise Development (MED) Week August 26-28, 2009 Minnesota Award winner:

MINORITY SMALL BUSINESS OF THE YEAR
AKHTAR CHAUDHRI
VIRTELLIGENCE, INC.
EDEN PRAIRIE, MN

The American Dream:
Is Entrepreneurship For You?

There is no way to eliminate all the risks associated with starting a small business. However, you can improve your chances of success with good planning and preparation. Consider the following:

☑ Are you a self-starter?
It will be up to you -- not someone else -- to develop projects, organize your time and follow through on details.

☑ How well do you get along with different personalities?
Business owners need to develop working relationships with a variety of people including customers, vendors, employees, bankers and professionals such as lawyers, accountants or consultants.

☑ How good are you at making decisions?
Small business owners are required to make decisions constantly, quickly, independently, and under pressure.

☑ Do you have the physical and emotional stamina to run a business?
Business ownership can be fun and exciting, but it is also a lot of work. Can you face 12-hour work days six or seven days a week?

☑ How well do you plan and organize?
Research indicates that many business failures could have been avoided through better planning.

☑ Is your drive strong enough to maintain your motivation?
Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation to make the business succeed will help you survive slowdowns as well as periods of burnout. Do you feel passionate about your business venture enough to sustain your commitment?

☑ How will the business affect my family?
It can be hard to balance the time required for your business with the demands of family life during the first few years of a business start-up. You may have to adjust to a lower standard of living or put family assets at risk.

Getting Started:
Preparing Your Business Plan

A business plan defines your vision for the future. It takes time, energy and patience to develop a satisfactory business plan. So why have a business plan?

1. A plan **gives you a path to follow**. Chart your future by setting goals and defining action steps to guide your business through turbulent economic cycles.

2. A plan **lets your banker in on the action.** By reading the details of your business plan, your lender gains insight into your situation.

3. A plan **provides a way to communicate** your operations, goals, and business philosophy to personnel, suppliers and your other business contacts.

4. A plan **develops you as a manager** by making you construct a clear 'blueprint' of your business venture.

Guide to Writing a Business Plan
Begin with the Basics

Name of Firm
State the legal name of the business.

Owner or Owners-to-be
State owner(s) name, as well as the form and percent of ownership.

Information on the Business

a) Type of Business

- State the general and specific nature of the business
- State the type of business (manufacturing, service, construction, wholesale, retail, other).
- State the company's goals and objectives.
- Describe your products and/or services. State who buys the product/service and who the final users are
- Describe how the product or service is sold to customers.
- Describe how and where buyers get your product or service.
- Comment on quality of product/service.
- Estimate average price of product/service.

b) History

- If your business is new, say so. If you have an existing business, discuss age of the company, prior owners, how acquired and length of time operated by you, image or reputation, number of employees, last year's sales volume and profit and any significant events that have affected the company's development.

c) Offices

- State whether rented, leased or owned. If rented or leased, from whom and under what conditions? Size of facility in square footage.
- Describe type of access to building. Is the location convenient to customers?
- State business hours.

d) Personnel

- State current and future figures for: number of employees, type of labor, sources of labor (especially minorities, handicapped, veterans or other socially or economically disadvantaged groups), timing of hiring.

e) Economic/Accounting

& Describe how this business makes money.
& State how and by whom prices are determined.
& State what financial records will be kept and who will keep them.
&

f) Production

& Describe the inventory, raw materials and/or supplies the business uses.
& List your suppliers - name, address, type and percent of supplies furnished, and length of time you have been buying from each, reliability and frequency of purchase.
& How easy or difficult is it to get necessary supplies? If difficult, how will you deal with potential or actual shortage?
& Are the prices of your supplies steady or fluctuating? If so, how will you deal with changing costs?
&

g) Legal

& State form of business (sole proprietorship, partnership, corporation) and status (not yet applied, applied and pending, obtained).
& State licensing requirements (type and licensing source) and status (not yet pending, obtained)
& State zoning requirements and status (verified, OK, rezoning).
& State insurance requirements (type, source) and status.
& Describe compliance with building codes.
& State compliance with health code requirements.
& Describe any other laws and regulations that affect the business and the measures you have taken to comply.
& Describe the specifications of your lease, if you have one.
& Trademarks, patents, licenses and copyrights should be checked for legality.

h) Future Plans

& Explain your plans for the future - whether to maintain, expand, diversify, sell, etc.

Market Analysis

a) Customers

& Define your market and your customers (wholesalers, retailers, consumers, government, etc.).
& Why does this market need your product/service? Is your product or service a fad or a continuing need?
& Will it soon be phased out or recreated by new technology?
& List the characteristics of your average customers: age, location (market area), average income/sales, gender, lifestyle (family or single), employment and other important information. The more you understand about your market, the better you can sell to it.
& What do customers like and dislike about your product or service?
& Estimate the size of your market in terms of number of customers.
& Estimate how much the total market will spend on this or similar products or services in the next year.

b) Environment

& Discuss any external environmental factors (economic, legal, social or technological) that affect your market or product/service. Environmental factors are those that have significant effects on your operation, but over which you have no control, i.e., county growth, rising energy prices, etc.

c) Competition

& Discuss your competition: number of competitors (direct and indirect), type of company (i.e. product or service), location, age, reputation, size (sales or customers), and market share.
& List major competitors (names and addresses) and discuss their product/service features, price, location/distribution, reputation/image, size (sales or customers), market share.

d) Competitiveness

& Discuss how your product/service meets market needs and how you compare with the competition in terms of product/service features, location/distribution, price, other.
& Compare your estimates of the market's demand and the competition's supply.

e) Projections

& Give your projections in terms of the number of customers, items sold, contracts obtained, etc.

Market Strategy

a) Sales Strategy

& Present your marketing strategy. Tell how you will get the edge on competition to get customers.
& Your product/service will sell because one or more of the following is attractive: features, pricing, distribution system, and promotion.

b) Promotion

& Describe how you plan to promote your product/service: advertising, direct mail, personal contacts, sponsoring events or other (word of mouth, trade associations).
& If you plan to advertise, state what media you will use: radio, television, newspaper, magazines, telephone book Yellow Pages, and/or other (billboard, etc.). State why you consider the media you have chosen to be the most effective.
& State the content of your promotion or advertising: what your product/service is, why it is attractive, business location, business hours, and business phone number. When you are designing your advertising, remember you are selling to satisfy someone's need. Refer back to your Market Analysis to ensure you've designed your advertising with your target market in mind.

Getting Started:
Preparing Your Business Plan

Management

- Why have you chosen this type of business? For owners and key management personnel, include the following: resumes, personal financial statements, tax returns for the last three years and personal family budget.
- Describe prior experience that qualifies management to run this type of business. State how much time management will devote to running this business. Discuss local contacts that may assist you.

Financial

a) Sources and Uses

- Describe the project to be financed.
- State where the money to pay for the project will come from (sources) and specifically how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory, and working capital.

b) Statements

- If the business is an existing one, include business tax returns and financial statements for the last three years. Financial statements should include:
  - Balance Sheet; Income Statement; Accounts Payable and Aging
  - Debt Schedule; Accounts Receivable and Aging; Reconciliation of Net Worth
- For both existing and new businesses, project the following financial statements for the next three years (monthly for first year, annually for second and third):
  - Operating/Income Statement with explanation (sales, expenses, profit)
  - Cash Flow with explanation
  - Balance Sheet
  - Break-even Analysis

SBA has a number of online financial assistance forms for your use. Click into one of the statements below to get started:

Income Statement

Cash Flow Statement

Balance Sheet

Personal Financial Statement

For a complete list, click on Financial Assistance Forms

If you are looking at a print version of this resource guide, the financial assistance statements can be found at: http://www.sba.gov/tools/Forms/smallbusinessforms/fsforms/index.html

Next Step:

Choosing a Lender for You

As the owner of a small business, finding a lender that is able to meet your financial needs is essential to your business success. How do you determine which financial institution is right for you, or in some cases, if you are right for the lender? There are several factors small business owners should consider when thinking of establishing a business relationship with your lender.

❑ Assess Your Business Financial Needs

Ask yourself several key questions:

- What credit (loans) and non-credit products and services (deposit accounts, investments, cash management, trust services, letters of credit) does my business need?
- Is convenience of the lender's location important?
- Is it important for me to have access to the lender's senior management?
- How much will pricing influence my decision?

Put some thought into what type of financing you will need. Is it for inventory, equipment or real estate? Know how much money you need to borrow and what repayment schedule fits with your business cash flow. Once you have determined what the financial needs of your business are, you will be better able to assess which lender can best meet your needs.

❑ Get References

Check with other small business owners or people in your industry and find out what their suggestions are. Certain lenders serve niche markets and there may be one that focuses on your industry.

❑ Interview Lenders

When interviewing lenders, a good starting place is the financial institution where you currently have an account and have a proven track record. Ask whether they have a small business lending department. If not, do they have staff dedicated to serving the needs of small businesses?

If you are interested in Small Business Administration programs, ask whether the lender makes SBA loans and if it has been designated as a preferred SBA lender. The SBA provides the preferred lender designation to financial institutions that have been heavily involved in SBA lending. Lastly, describe your product and service needs and ask how the lender can meet those needs. For example, if your business is involved in international trade, does the lender have international service capabilities?

❑ Visit the Lender

After you have narrowed down your choices, visit the lending institution and discuss your business needs with them. Be prepared. Have a marketing plan and financial data available. In some cases, your business may not fit into the lender's marketing strategy. Before you get too far into the credit approval process, find out whether the lender thinks it can meet your financial needs based on preliminary information you provide to them. Ask the lender:

- About its credit approval process.
- Who will need to approve your loan?
- What is the turnaround time on a loan decision?
- What type of financial data will you need to provide to them?
- What is the financial institution's in-house lending limit?

Next Step:

Choosing a Lender for You

It is important for you to find out whether the lender is able to structure the financing so that it meets your business' cash flow cycle.

Next, find out about the person you will be dealing with. Are you comfortable with the lender's staff? In many instances, you will need to teach the loan officer about your business. Because of the regulatory environment lending institutions operate in, they must do their "due diligence" in making loan decisions. This requires them to ask you for financial data about you and your business.

Find a loan officer with whom you are comfortable discussing this type of information.

Lastly, businesses experience ups and downs. Ask your loan officer how the tough times are handled. Lenders offer a variety of credit and noncredit services to meet the unique financial needs of small business owners. The many products and services offered by financial institutions such as loans, deposit accounts, investments, cash management and international and trust services can assist in furthering your business' goals. Assessing your needs before choosing a financial institution will ensure you have selected a lender that is best suited to help you meet your financial goals.

Financing Your Business Start-Up

Did you know that more than 80% of new entrepreneurs start their business without any commercial loans? Lenders and investors often prefer to finance a business with a track record and a plan for growth based on experience in the industry. If you are just starting out and need a smaller amount to set up shop and fill your first orders, here are some other options to consider:

- Friends and family members
- Savings
- Personal bank credit
- Informal investors
- Home equity loans
- Credit unions
- City or county economic or community development loan programs

Click here to read online financing your business topics:
http://www.sba.gov/smallbusinessplanner/start/financestartup/index.html

CHECKLIST FOR GOING INTO BUSINESS

- ☑ Prepare a comprehensive business plan. Anyone who extends credit to you (lenders, suppliers, equipment and property lessons) will ask to see it.
- ☑ View or order a free copy of *A Guide to Starting a Business in Minnesota* from the Minnesota Small Business Assistance Office. Website: **www.deed.state.mn.us/publications** or call **(651)556-8425** for a print copy.
- ☑ Thoroughly estimate your start-up costs. These include: rent, supplies, telephone, insurance, opening inventory, license and permit fees, legal and professional fees, fixtures and equipment, decorating and/or remodeling costs, advertising and promotion costs, salaries and wages, utility deposits, adequate cash reserves.
- ☑ Have a record system that will keep track of all of your income and expenses, inventory, payroll records, and tax reports. Have an accountant who will help with your financial statements (preparation and interpretation).
- ☑ Insure your business. Some basic types of insurance are: property insurance (includes fire, storm, glass, auto, theft, vandalism), business interruption, key person, liability, workers' compensation, health insurance, product liability, fidelity and surety bonds.
- ☑ Know how to price the goods and services that you sell.
- ☑ Identify your suppliers. Have firm agreements with them in place before you start, i.e. terms, prices, ordering policies, delivery schedules.
- ☑ Establish customer payment policies. This includes check cashing, payment terms, extending credit and use of credit cards.
- ☑ Set up a company bank account that is separate from your personal account.
- ☑ Have job descriptions and work policies in place for all employees. Determine benefit packages keeping in mind such things as: payroll tax, health and/or life insurance, vacation, sick leave, and training.
- ☑ Determine the type of business organization for your company - proprietorship, partnership, or corporation. This will have tax and management control consequences.
- ☑ Register your business name (if assumed) with the Secretary of State's Office. If you are a corporation, file with the Secretary of State. Partnerships may register with the Secretary of State, but this is not necessary. **www.sos.state.mn.us**
- ☑ Minnesota businesses will need one or more tax identification numbers. These include the Federal Employer Identification Number, the Minnesota Taxpayer Identification Number, and the Minnesota Unemployment Compensation Employer Identification Number.
- ☑ Businesses engaged in making taxable retail sales or providing taxable services will need a Minnesota sales and use tax permit. **www.taxes.state.mn.us**
- ☑ The state, counties and municipalities of Minnesota may require one or more licenses for your business. For the state check with the Minnesota Small Business Assistance Office. For the county and city check with your local government offices about permits and codes .
- ☑ Make sure that the location you select for your business is properly zoned for your type of business.
- ☑ Consult the list of Frequently Requested Numbers at the end of the Resource Guide for website and telephone information.

FREQUENTLY ASKED QUESTIONS

Q. I'm told that I need to register my business name with the State of Minnesota. Who do I contact to register my business name?

A. Business names are registered with the Minnesota Secretary of State, Business Services Division. Whether you are filing a certificate of assumed name, the registration of a corporate name, limited liability partnership or limited liability company name, appropriate forms can be downloaded at **www.sos.state.mn.us/business/forms.html.** For more information call the Secretary of State Office at **(651) 296-2803**.

Q. How do I find out if my business will require a business license?

A. The State of Minnesota's website **www.deed.state.mn.us/bizdev/license.htm** has an online directory of business licenses requirements. In addition to the licensing requirements imposed by the state, some local governments also require certain kinds of business activity to be licensed on the local level. Contact your city clerk for local license information. The cities of Minneapolis and St. Paul have licensing departments.

www.ci.minneapolis.mn.us/business
(612) 673-2080
www.ci.stpaul.mn.us
(651) 266-9090

Or, the Minnesota Small Business Assistance Office publishes "A Guide to Starting a Business in Minnesota" which includes a directory of business licenses and permits. The State will send this out free of charge. Order the book online at **www.deed.state.mn.us** or call their automated voicemail publication order line at **(651) 556-8425.** Click here to open online Guide to Starting a Business in Minnesota in PDF format:
Guide in PDF (2.66 MB)

Q. Where do I get a tax identification number with the federal and state government?

A. For a tax identification number with the State of Minnesota, download Form ABR at the Department of Revenue at website: **www.taxes.state.mn.us.** To order Form ABR via telephone, call **(651) 296-4444** and use their automated voice system. If you already have a tax identification number and have had business changes, notify the State of Minnesota by calling **(651) 282-5225**. The Federal Employer Identification Number (EIN) can be obtained at the Internal Revenue Service website:
www.irs.gov/businesses/small
or call **1-866-816-2065**.

SBA WEBSITE
Free online courses

Small Business Training
www.sba.gov/training

Visit SBA online for 24/7 access to small business news, information and training or entrepreneurs.

Free online courses include:

- *Starting a Business*
- *Business Planning*
- *Business Management*
- *Financing and Accounting*
- *Marketing and Advertising*
- *Government Contracting*
- *Small Business Retirement*
- *E-Commerce*
- *International Trade*
- *Federal Tax Training*

FREQUENTLY ASKED QUESTIONS

Q. I need to find out about SBA's loan program. Do I go directly to SBA?

A. Not necessarily. SBA provides its loan guaranty to the financial institution. It is recommended that you meet with a potential lender first, and once the lender agrees to become involved, it is the lender that submits a completed loan application to SBA. Keep in mind, that it is the lender's decision to apply for the SBA loan guaranty. If the lender is willing to lend to you without SBA involvement, there is no reason for SBA to become involved.

You can review online at:
www.sba.gov/services/financialassistance.

Before you approach the lender it is important that you do your homework first. Financial institutions expect a completed business plan when you apply for the loan. The business plan consists of information about the business, its history, a market analysis and strategy, management and financial disclosures. Don't let this scare you off; there are several programs to help you complete the business plan.

Q. I need to talk with someone about getting a loan. Who can help me?

A. SBA has a number of resource partners that will counsel you on a one-on-one basis. Most are available at no cost to individuals. Read about the different programs and their locations in our Business Resources section of this guide. You should find the right resource for you.

Q. Where can I obtain information if I want to start exporting my product?

A. There are numerous resource partners available to help small businesses gain the knowledge in order to export their products. Those resources are: SBA representative located in the U.S. Export Assistance Center (USEAC) **(612) 348-1642, t**he Minnesota Trade Office **(651) 297-3920,** **www.exportminnesota.com** or the Department of Commerce-Commercial Service **(612) 348-1638**, **www.exportassistance.com.**

Meet with a SCORE Counselor today:

"They (SCORE) are business consultants with a huge amount of expertise to share, and it's free. For a small business person like myself, to get this kind of advice at the level that it's provided at for free, it's priceless."

Janet Zahn – Camden Music School

I wanted to show how it would work financially, why it meant good business for them. I wanted to put it down on paper. That was probably the biggest part that (SCORE) helped me with.

Kim Kosheil - Fashion Avenue

FREQUENTLY ASKED QUESTIONS

Q. I am currently exporting my product but need information about tariffs and taxing. Who can I talk to?

A. The Department of Commerce-Commercial Service can help any business with questions about costs involved in exporting. An International Trade Representative can be reached at: **(612) 348-1638** or visit the website at **www.exportassistance.com.**

Q. My friend and I have an idea about starting a business. We do not know what's involved in getting started and just want to find out what steps we need to take to get the business up and running. At this point, we don't even know what questions to ask. What would you suggest?

A. If you are exploring the idea of starting a business, we suggest you attend one of SCORE's Going into Business workshops. The workshop give an overview of the key areas that must be addressed in starting a business. Take the time to attend and not only will it answer some of your questions, but you'll have a better idea of whether or not to pursue the entrepreneurial dream! Visit SCORE's website at **www.score-mn.org** to learn more about a workshop near you.

Q. How can I get a copy of the "Guide to Starting a Business in Minnesota"?

A. Order the guidebook online at the Minnesota Small Business Assistance Office: **www.deed.state.mn.us/publications** or call the DEED automated voice-mail publication order line at **(651) 556-8425.**

Q. Where can I obtain information about importing?

A. A good resource for information regarding importing your products or services is: Midwest Global Trade Association (MGTA) at **(651) 917-6257**, **www.mgta.org** and US. Department of Customs at **(612) 348-1690**.

Q. I've heard SBA has a grant program for people that want to start a small business, but I can't find any information about the grants. Where do I look?

A. SBA does not offer grants to start or expand small businesses. SBA's grant programs generally support non-profit organizations, intermediary lending institutions, and state and local governments in an effort to expand and enhance small business technical and financial assistance. The Agency's small business financial assistance programs are comprised of a wide range of loan programs, each targeted at different markets. For more information on any non-profit organization grant programs go to SBA's website at **www.sba.gov/services/financialassistance/grants**.

FREQUENTLY ASKED QUESTIONS

Q. We want to sell our products or services to the state or federal government. Who can help me achieve this goal?

A. In Minnesota your first contact should be with the Metropolitan Economic Development Association (MEDA). MEDA's Procurement Technical Assistance Center (PTAC) provides no-cost to low-cost counseling and procurement technical assistance and training to Minnesota businesses regarding government contracting.

The PTAC assists businesses by: discovering government contracting opportunities; interpreting specifications and standards; and, counseling on solicitations prior to submission and post-award compliance issues. Their website is: **www.meda.net**. Click on "*Procurement Technical Assistant Center*," or call **(612) 332-6332**.

If you would like to do some online research the SBA's Office of Government Contracting is a good place to start. The web address is **www.sba.gov/GC**.

All Government contractors large and small must be registered in the Central Contractor Registration **(www.ccr.gov).** Small businesses can also register in the Dynamic Small Business Search Database which is accessed through CCR. Buyers search the CCR/ Dynamic Small Business Search Database to find small businesses like yours that can provide the products and services the agencies need. Registering your business in CCR/ Dynamic Small Business Search Database is free. It is also free to federal and state government agencies as well as prime and other contractors seeking small business contractors, subcontractors and/or partnership opportunities. CCR/Dynamic Small Business Search Database is open to all small firms seeking federal, state and private contracts.

Businesses profiled on the CCR/Dynamic Small Business Search Database system can be searched by NAICS codes; key words; location; quality certifications; business type; ownership race and gender; EDI capability, etc.

Small businesses wanting to sell to the government should plan on attending the Federal Executive Board's ***SADBOC Government Procurement Fair*** on **April 28, 2010** at the Earle Brown Heritage Center in Brooklyn Center, MN. See The Federal Executive Boards SADBOC site for registration information: **www.doi.gov/febtc/sadboc** There is no charge to attend this event.

Obtain general information about certification programs available to diverse small businesses looking to sell to the government or corporate customers at **www.doi.gov/febtc/sadboc**

FREQUENTLY REQUESTED TELEPHONE NUMBERS

Small Business Administration
100 No. Sixth Street, Suite 210-C
Minneapolis, MN 55403
612-370-2324 www.sba.gov/mn

***A Guide to Starting a Business in Minnesota* can be viewed or ordered online at: www.deed.state.mn.us/publications or call 651-556-8425 for a print copy. To open guide online as PDF document click here: PDF file (2.66 MG)**

Top Three Requested Resources:

IRS *Employer Identification Number (EIN)*..... **www.irs.ustreas.gov**; *1-800-829-4933*
Secretary of State Office ..... **www.sos.state.mn.us**; *651-296-2803; Greater MN: 1-877-551-6767*
State of Minnesota *Minnesota Tax ID Number/General Questions about Business tax requirements* ..... **www.taxes.state.mn.us**; *651-296-6181; Greater MN: 1-800-657-3777*

Registration of Your Business Name (Proprietorship, Partnership, Corporation, LLC)

The Secretary of State Office Business Services **www.sos.state.mn.us**
Metro..... 651-296-2803
Greater Minnesota..... 1-877-551-6767

Business Licenses/Permits/Zoning

City of Minneapolis **www.ci.minneapolis.mn.us/business**. 612-673-2080
City of St. Paul **www.ci.stpaul.mn.us** 651-266-6565
State of Minnesota Small Business Assistance Office **www.mnsbao.com**
(For Business Forms, Directory of Business Licenses Requirements) 651-556-8425

Federal Government Offices

U.S. Department of Commerce/Export Resource **www.exportassistance.com** 612-348-1638
U.S. Patent & Trademark Office (Recording Forms) Arlington, VA **www.uspto.gov**.....1-800-786-9199
U.S. Copyright Office, Library of Congress, Washington, DC **www.copyright.gov**.....202-707-3000
Forms also available from Mpls/St. Paul Public Library
U.S. Customs Service (Import Questions) **www.customs.gov**. 612-348-1670
U.S. Department of Labor, Wage & Hour Division **www.dol.gov**.. 612-370-3371
U.S. Small Business Administration **www.sba.gov/mn**… 612-370-2324
Internal Revenue Service **www.irs.gov**
Employer Identification Number (EIN)/Federal Taxpayers Information Service 1-800-829-4933
Occupational Safety & Health - Federal **www.osha.gov**.. 1-800-232-4636

FREQUENTLY REQUESTED TELEPHONE NUMBERS

State of Minnesota Offices

State Taxpayers Information Service/Answers to Questions **www.taxes.state.mn.us** 651-282-5225
State Small Business Assistance Office Publications 651-556-8425
State Withholding Tax Number Information 651-296-6181
Sales Tax Division ..Sales and Use Tax Hotline 651-296-6181
Pollution Control Agency..... **www.pca.state.mn.us** 651-296-6300
Greater MN 1-800-657-3864
Minnesota Department of Labor and Industry **www.doli.state.mn.us** 651-284-5005
Toll-free for Greater Minnesota 1-800-342-5354
Minnesota Department of Commerce - Licensing/Franchise Registration **www.commerce.state.mn.us** 651-296-6328

Miscellaneous Numbers

Accountability Minnesota (tax help and workshops) **www.accountabilitymn.org** 651-287-0187
Better Business Bureau **www.bbb.org** 651-699-1111
Business Planning Center (BPC) 651-209-1884
Insurance Federation of MN – Insurance Help Line **www.insurancefederation.org** 952-253-6234
Toll-free number, greater Minnesota… 1-800-642-6121
James J. Hill Reference Library **www.jjhill.org** 651-265-5500
Lawyer's Referral & Information Service (Hennepin County Bar Association) 612-752-6666
LegalCORPS (Micro business and nonprofit assistance) **www.legalcorps.org** 612-752-6678
Toll-free number, greater Minnesota 1-888-454-5267
Metropolitan Economic Development Association **www.meda.net** 612-332-6332
Minnesota Inventor's Congress **www.inventhelper.org** 1-800-468-3681
Minnesota Society of Certified Public Accountants **www.mncpa.org** 952-831-2707
NAICS Codes, Business Size Standards, Contracting/Bonding/Selling to Government:
SBA Size Standards **www.sba.gov/size** 612-370-2324
Northeast Entrepreneur Fund **www.entrepreneurfund.org** 1-800-422-0374
Procurement Technical Assistance Center (PTAC) **www.ptac-meda.net** 612-332-6332
SCORE Offices **www.score-mn.org**
Minneapolis **www.score-minneapolis.org** 952-938-4570
Red Wing **www.score-redwing.org** 651-388-4719 x20
Rochester **www.score-rochester.org** 507-288-8103
South Metro **www.score-southmetro.org** 952-890-7020
St. Cloud **www.stcloudscore.org** 320-240-1332
St. Paul **www.score-stpaul.org** 651-632-8937
Minnesota SCORE District Office email: **info@score-mn.org** 612-370-2309
Small Business Development Centers (SBDC) **www.mnsbdc.com** 651-297-5770
Bemidji State Univ. - NW Regional Center 218-755-4255
Brainerd - Central Lakes Co. - NC Regional Center 218-855-8239
Moorhead - MSU Moorhead - WC Regional Center 218-477-2289
Mankato - RNDC - South Central Regional Center 507-389-8881
Rochester CTC - SE Regional Center 507-285-7536
Marshall - Southwest MSU - SW Regional Center 507-537-7386
St. Cloud State Univ - C Regional Center 320-308-4842
Minneapolis-St. Paul - Univ of St. Thomas - TC Regional Center 651-962-4500
Duluth - UofM Duluth - NE Regional Center 218-726-7298
Small Business Innovative Research (SBIR), MN Dept. of Employment and
Economic Development **www.sba.gov/sbir** 651-282-6714
WomenVenture **www.womenventure.org** 651-646-3808

SBA U.S. Small Business Administration 2009 RECOVERY ACT

About the ARC Loan Program

ARC loans can be used to make payments of principal and interest, in full or in part, on one or more existing, qualifying small business loans for up to six months. ARC loans provide an immediate infusion of capital to small businesses to assist with making payments of principal and interest on existing debt. These loans allow borrowers to redirect cash flow from making loan payments to investing in their businesses, to help sustain the business and retain jobs. For example, making loan payments on existing loans with proceeds from an ARC loan can allow a business to focus more funds on core operations, such as buying inventory or making payroll.

ARC loans are interest-free to the borrower, carry a 100 percent guaranty from the SBA to the lender, and require no fees paid to SBA. Loan proceeds are provided over a six-month period and repayment of the ARC loan principal is deferred for 12 months after the last disbursement of the proceeds. Repayment can extend up to five years.

The best candidates for ARC loans are small businesses that in the past were profitable but are currently struggling, yet have been making loan payments or are just beginning to miss loan payments due to financial hardship. ARC Loan FAQs for Borrowers.

ARC loans are made by commercial lenders who are SBA participants. **The SBA will pay these banks a monthly interest rate throughout the term of the loan. Lenders can find more information here**. Non-SBA lenders can easily become SBA participants by working with their nearest SBA district office. Businesses interested in applying for an ARC loan should first contact their current lender.

ARC loans will be offered by some SBA lenders for as long as funding is available or until September 30, 2010, whichever comes first.

About the ARC Loan Program

ARC Loan Eligibility

Applying for an ARC Loan

If you are viewing this page as a printed version, the website address is:
http://www.sba.gov/recovery/arcloanprogram/index.html