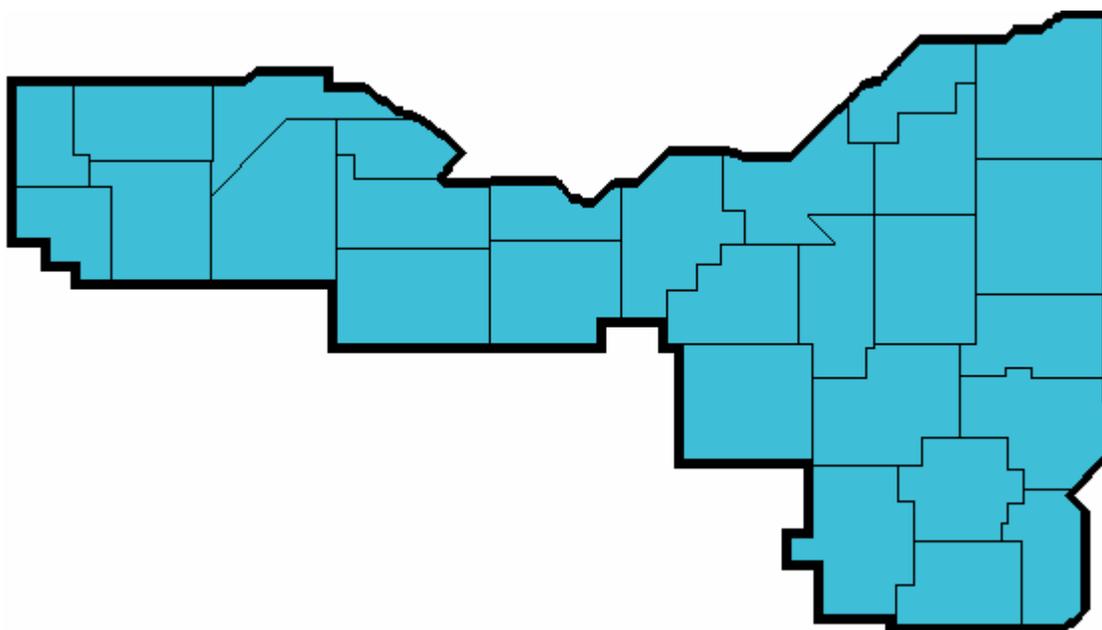




U.S. Small Business Administration

Cleveland District Office

Programs and Services Start-Up Kit



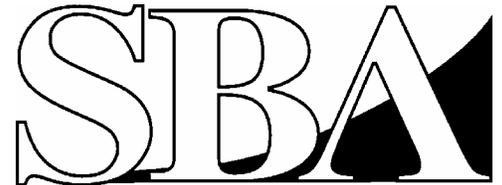
SBA Cleveland District Office
1111 Superior Avenue East, Suite 630
Cleveland, Ohio 44114-2507

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Fax: 216-522-2038
www.sba.gov

February 2004

Cleveland District Office

Programs and Services Start-Up Kit



U.S. Small Business Administration

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. A good starting place is to evaluate your strengths and weaknesses as the owner and manager of a small business.

Are you a self-starter? It will be up to you - not someone else telling you - 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, staff, bankers and professionals such as lawyers, accountants or consultants. Can you deal with a demanding client, an unreliable vendor or cranky staff person in the best interest of your business?

How good are you at making decisions? Small business owners are required to make decisions constantly, often quickly, under pressure, and independently. Do you have the physical and emotional stamina to run a business? Business ownership can be challenging, fun and exciting. But it's 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. Good organization - of financials, inventory, schedules, production - can help avoid many pitfalls. Is your drive strong enough to maintain your motivation? Running a business can wear you down. Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation can make the business succeed and will help you survive slowdowns as well as periods of burnout.

How will the business affect your family? The first few years of business start-up can be hard on family life. The strain of an unsupportive spouse may be hard to balance against the demands of starting a business. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk.

On The Upside

It's true, there are a lot of reasons not to start your own business. But for the right person, the advantages of business ownership far outweigh the risks. You get to be your own boss. Earning and growth potential are far less limited. A new venture is exciting. Running a business will provide endless variety, challenge and opportunities to learn.

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GETTING STARTED

Starting and managing a business takes motivation, desire and talent. It also takes research and planning. Like a chess game, success in small business starts with decisive and correct opening moves. And, although initial mistakes are not fatal, it takes skill, discipline and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well thought out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success. Your answers will help you create a focused, well researched business plan that should serve as a blueprint. It should detail how the business will be operated, managed and capitalized.

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You want creative freedom.
- You want to fully use your skills and knowledge.

Next you need to determine what business is “right for you.” Ask yourself these questions:

- What do I like to do with my time?
- What technical skills have I learned or developed?
- What do others say I am good at?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

Then you should identify the niche your business will fill. Conduct the necessary research to answer these questions:

- Is my idea practical and will it fill a need?
- What is my competition?
- What is my business advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?

The final step before developing your plan is the pre-business checklist. You should answer these questions:

- What business am I interested in starting?
- What services or products will I sell?
- Where will I be located?
- What skills and experience do I bring to the business?
- What will be my legal structure? (see “Types of Business Organizations”).
- What will I name my business?
- What equipment or supplies will I need?
- What insurance coverage will be needed?
- What financing will I need?
- What are my resources?
- How will I compensate myself?



Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

Factors influencing your decision about your business organization include:

- Legal restrictions
- Liabilities assumed
- Type of business operation
- Earnings distribution
- Capital needs
- Number of employees
- Tax advantages or disadvantages
- Length of business operation

The advantages and disadvantages of sole proprietorship, partnership and corporation are listed below.

Sole Proprietorship

This is the easiest and least costly way of starting a business. A sole proprietorship can be formed by finding a location and opening the door for business. There are likely to be fees to obtain business name registration, a fictitious name certificate and other necessary licenses. Attorney’s fees for starting the business will be less than the other business forms because less preparation of documents is required and the owner has absolute authority over all business decisions.

Partnership

There are several types of partnerships. The two most common types are general and limited partnerships. A general partnership can be formed simply by an oral agreement between two or more persons, but a legal partnership agreement drawn up by an attorney is highly recommended. Legal fees for drawing up a partnership agreement are higher than those for a sole proprietorship, but may be lower than incorporating. A partnership agreement could be helpful in solving any disputes. However, partners are responsible for the other partner’s business actions, as well as their own.

A Partnership Agreement should include the following:

- Type of business.
- Amount of equity invested by each partner.
- Division of profit or loss.
- Partners compensation.
- Distribution of assets on dissolution.
- Duration of partnership.
- Provisions for changes or dissolving the partnership.
- Dispute settlement clause
- Restrictions of authority and expenditures.
- Settlement in case of death or incapacitation.

Corporation

A business may incorporate without an attorney, but legal advice is highly recommended. The corporate structure is usually the most complex and more costly to organize than the other two business formations. Control depends on stock ownership. Persons with the largest stock ownership, not the total number of shareholders, control the corporation. With control of stock shares or 51 percent of stock, a person or group is able to make policy decisions.

Control is exercised through regular board of directors’ meetings and annual stockholders’ meetings. Records must be kept to document decisions made by the board of directors. Small, closely held corporations can operate more informally, but record-keeping cannot be eliminated entirely.

Officers of a corporation can be liable to stockholders for improper actions. Liability is generally limited to stock ownership, except where fraud is involved. You may want to incorporate as a “C” or “S” corporation.

Business Plan Outline

The following outline of a typical business plan can serve as a guide. You can adapt it to your specific business. Reducing the plan into components helps make drafting it a more manageable task.

Introduction

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List the skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.
- In-depth help on developing a business plan can be found on the SBA Web site in the Starting Area.

Marketing

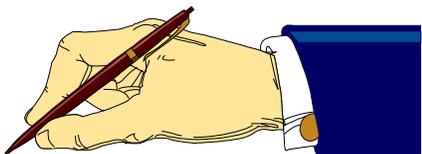
- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed.
- Explain the pricing strategy.

Financial Management

- Explain your source and the amount of initial equity capital.
- Develop a monthly operating budget for the first year and an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two-year period.
- Discuss your break-even point.
- Explain your personal balance sheet and method of compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide “what if” statements that address alternative approaches to any problem that may develop.

Operations

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to your business.



- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

Concluding Statement

- Summarize your business goals and objectives and express your commitment to the success of your business.
- Once you have completed your business plan, review it with a friend or business associate or a Service Corps of Retired Executives (SCORE) or Small Business Development Center (SBDC) counselor. (See SCORE and SBDC listings in this guide).
- When you feel comfortable with the content and structure, make an appointment to review and discuss it with your lender. The business plan is a flexible document that should change as your business grows.

To Lease or Not to Lease

Here are some questions to ask before signing a lease:

- Does the lease specifically state the square footage of the premises? The total rentable square footage of the building?

Is the tenant's share of expenses based on total square footage of the building or the square footage leased by the landlord? Your share may be lower if it's based on the total square footage.

- Do the base year expenses reflect full occupancy or are they adjusted to full occupancy (i.e., base year real estate taxes on an unfinished building are lower than in subsequent years)?
- Must the landlord provide a detailed list of expenses, prepared by a CPA, to support increases?
- Does the lease clearly give the tenant the right to audit the landlord's books or records?
- If use of the building is interrupted, does the lease define the remedies available to the tenant, such as rent abatement or lease cancellation?
- If the landlord does not meet repair responsibilities, can the tenant make the repairs, after notice to the landlord, and deduct the cost from the rent?
- Is the landlord required to obtain nondisturbance agreements from current and future lenders?
- Does the lease clearly define how disputes will be decided?

We're here to help.

Contact the SBA Cleveland District Office at 216-522-4180, or 1-800-358-3326. Our TDD line is 216-522-8350. We are located at 1111 Superior Avenue, Suite 630, Cleveland, Ohio 44114.

SBA's Guiding Principles

Creativity

Our people inspire creativity in the American economy by developing and supporting entrepreneurs through a vast network of resource partners.

Advocate

We advocate for all small businesses by taking leadership in building a productive partnership between the American people and its government.

Results

Our team focuses on delivering results for small business, being accountable, accessible and responsive.

Empower

We empower the spirit of entrepreneurship within every community to promote and realize the American dream.

Success

We facilitate the environment necessary for America's small businesses to succeed, measuring our performance by small business success.

Leasing: Learn the Lingo

- Lessor Landlord Lessee Tenant Right of First Refusal: before vacant space is rented to someone else, landlord must offer it to the current tenant with the same terms that will be offered to the public.
- Gross Lease Tenant pays flat monthly amount; landlord pays all operating costs, including property taxes, insurance and utilities.
- Triple Net Lease Tenant pays base rent, taxes, insurance, repairs and maintenance.
- Percentage Lease: base rent, operating expenses, common area maintenance, plus percentage of tenant's gross income (most common for retailers in shopping malls).
- Sublet Tenant rents all or part of space to another business; tenant is still responsible for paying all costs to landlord.
- Assign Lease Tenant turns lease over to another business, which assumes payments and obligations under the lease.
- Anchor Tenant: major store or supermarket that attracts customers to a shopping center.
- Exclusivity Provision: shopping center can't lease to another who provides the same product or service that existing tenant does.
- CAM: common area maintenance charges, including property taxes, security, parking lot lighting and maintenance; may not apply to anchor tenants in retail leases.
- Nondisturbance Clause: tenant cannot be forced to move or sign a new lease if building or shopping center is sold or undergoes foreclosure.



FINDING THE MONEY YOU NEED

One key to a successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities. But, as many new entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process. However, if you are informed and have planned effectively, raising money for your business will not be a painful experience.

This information summary focuses on ways a small business can raise money and explains how to prepare a loan proposal. There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision.

- Personal savings: The primary source of capital for most new businesses comes from savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.
- Friends and relatives: Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest free or at a low interest rate.
- Banks and credit unions: The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.
- Venture capital firms: These firms help expanding companies grow in exchange for equity or partial ownership. Be sure to visit SBA's Angel Capital Electronic Network. ACE-Net gives new options to both small companies looking for investors and investors looking for promising opportunities.

Borrowing Money

It is often said that small business people have a difficult time borrowing money. This is not necessarily true. Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests. Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: High Risk! To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk.

SBA Loan Maturities

SBA loan programs are generally intended to encourage longer term small business financing, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed.

However, maximum loan maturities have been established: twenty-five years for real estate; up to ten years for equipment (depending on the useful life of the equipment); and generally up to seven years for working capital. Short-term loans are also available through the SBA to help small businesses meet their short term and cyclical working capital needs. The agency's loan guaranteed loan programs are discussed in detail in the SBA Financial Assistance Programs section of this guide. In-depth information is also available on SBA's Web site in the financing area.

Types of Business Loans

Terms of loans may vary from lender to lender, but there are two basic types of loans: short-term and long-term.

Generally, a short-term loan has a maturity of up to one year. These include working-capital loans, accounts-receivable loans and lines of credit.

Long-term loans have maturities greater than one year but usually less than seven years. Real estate and equipment loans may have maturities of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

How Your Loan Request Will Be Reviewed

The lender is primarily concerned about repayment. To help determine this ability, many loan officers will order your business credit report from a credit-reporting agency. You should work with these agencies to help them present an accurate picture of your business. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25 percent to 50 percent of the loan you are requesting? (Remember, a lender or investor will not finance 100 percent of your business.)
- Do you have a sound record of creditworthiness as indicated by your credit report, work history and letters of recommendation?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments?

SBA Financial Programs

The SBA offers a variety of financing options for small businesses. Whether you are looking for a long-term loan for machinery and equipment, a general working capital loan, a revolving line of credit, or a microloan, the SBA has a financing program to fit your needs. These programs are discussed in detail in the SBA Financial Assistance section of this guide and additional in-depth information is available on SBA's Web site in the Financing area.

Because SBA loans originate through financial institutions, and not through the agency itself, it is suggested that you contact your local bank of account as you prepare to apply for an SBA loan. The SBA Cleveland District Office can provide a list of banks participating in agency programs.

THE SBA HAS NO FUNDS FOR DIRECT LENDING OR GRANTS.

REGULATIONS

It may be inconceivable to you that your home-based consulting service or handknit sweater business would have to comply with any of the numerous local, state and federal regulations, but in all likelihood it will. Avoid the temptation to ignore regulatory details. Doing so may avert some red tape in the short term, but could be an obstacle as your business grows. Taking the time to research the applicable regulations is as important as knowing your market.

Below is a checklist of the most common requirements that affect small businesses, but it is by no means exhaustive. Bear in mind that regulations vary by industry. If you're in the food service business, for example, you will have to deal with the health department. If you use chemical solvents, you will have environmental compliance to meet. Carefully investigate the regulations that affect your industry. Being out of compliance could leave you unprotected legally, lead to expensive penalties, and jeopardize your business.

Permits and Registration Business Licenses

There are many types of licenses. You need one to operate legally almost everywhere. If the business is located within an incorporated city limits, a license must be obtained from the city; if outside the city limits, then from the county. For more information contact the county or city office in your area.

How to Write a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business, and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal. A well-written loan proposal contains:

General Information:

- Business name, names of principals, Social Security number for each principal, and the business address
- Purpose of the loan – exactly what the loan will be used for and why it is needed.

Business Description:

- History and nature of the business; details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure; details on your company's legal structure.

Management Profile:

- Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

Market Information:

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.
- Profile your customers and explain how your business can satisfy their needs.

Financial statements:

- Balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement.
- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would be willing to pledge as security for the loan.

Certificate of Occupancy

If you are planning on occupying a new or used building for a new business, you may have to apply for a Certificate of Occupancy from a city or county zoning department. For more information contact the county or city office in your area.

Business Organization

There are many forms of legal structure you may choose for your business. The most common structures are:

Sole Proprietorships, General and Limited Partnerships, C and S Corporations and Limited Liability Companies. Each legal structure offers organizational options which are appropriate for different personal situations and which affect tax and liability issues. We suggest you research each legal structure thoroughly and consult a tax accountant and/or attorney prior to making your decision.

Fictitious Business Name

Businesses that use a name other than the owner's must register the fictitious name with the county as required by the Trade Name Registration Act. This does not apply to corporations doing business under their corporate name or to those practicing any profession under a partnership name. For more information contact your state or local government.



Protecting Your Idea

If applicable to your business, you may want to apply for legal protection of your idea, trademark, or intellectual property.

Trademarks

Trademarks are names or symbols used in any commerce subject to regulation by state government or the U.S. Congress.

- **State Registration of Trademarks:** Trademarks and service marks may be registered in a state for a term of ten years. For more information about Applications for Registration of Trademark or Service Mark in your state, contact:
Secretary of State, State of Ohio
(877) 767-3453
- **Federal Registration of Trademarks and Patents**
To register a trademark contact:
U.S. Department of Commerce
Trademark Office
2021 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 308-9000

To register patents, contact:
Asst. Commissioner for Trademarks,
Patent Applications
Washington, D.C. 20231
(800) 786-9199
Also, visit their web site at
<http://www.uspto.gov>

Caution: Federally registered trademarks may conflict with and supercede registered business and product names. Businesses are encouraged to check for conflicts with federal trademarks.

Patents

New and useful inventions can be protected by a U.S. patent. Professional assistance from a patent attorney is urged because patent procedures are detailed and technical. A patent search is performed to see if a patent currently exists on the same or nearly the same device and, if not, to make proper application with the Patent Office.

Only attorneys and agents registered with the U.S. Patent Office may represent inventors in related matters. The office has geographical and alphabetical listings of the more than 11,000 registered agents. Only these agents may perform patent searches in the patent office. Inventors or their attorneys can make arrangements with one of those agents. U.S. patents are issued by the Assistant Commissioner of Patents, Washington, D.C.

- **Contact: Superintendent of Documents**
P.O. Box 371954
Pittsburgh, Pennsylvania 15250-7954
- **Additional information** is provided in the publication, "General Information Concerning Patents" and other publications distributed through the U.S. Patent and Trademark Office.

Copyrights

Copyrights protect the thoughts and ideas of authors, composers and artists. A copyright prevents illegal copying of written matter, works of art or computer programs. In order to ensure copyright protection, the copyright owner should always include notices on all copies of the work.

- **Contact:**
U.S. Library of Congress
James Madison Memorial Building
Washington, D.C. 20559
(202) 707-9100 - Order Line
(202) 707-3000 - Information Line

Tax Information

Business owners are required by law to withhold the following from the wages paid to employees: federal income taxes, state income taxes and FICA (Social Security) Insurance. Income taxes will also be levied by the federal and state governments on earnings of any business. Therefore, each business must file an income tax return with both agencies. Businesses may be required to file estimated tax returns and pay estimated taxes on a quarterly basis. For federal tax information, contact the IRS.

The Internal Revenue Service (IRS) has a number of publications that are available upon request to small businesses. One of the most helpful is "Your Business Tax Kit", which includes data and forms for a Federal Employer Identification Number and a tax guide for small businesses that can be ordered by calling Forms and Publications at (800) 829-3676 or through a visit to your local IRS office. For State tax information, call (888) 405-4039.

Federal Self-Employment Tax

Everyone must pay Social Security Tax. If you are self-employed, your Social Security contribution is made through the self-employment tax. You will need to calculate how best to report earnings and pay your business taxes.

Contact the IRS at (800) 829-1040, visit your local IRS Office, or go to the Official IRS Website for more information. The IRS may seem like a complicated maze, but there are publications, counselors and workshops available to help you sort it out.

Sales Tax Number

In your state there is a percent sales and use tax which applies to the retail purchase, retail site, rental, storage, use or consumption of tangible personal property and certain services. In other words, sales tax must be collected on just about every tangible item sold.

A sales tax number is required for each business before opening. The number, plus instructions for collection, reporting and remitting the money to the state on a monthly basis, can be obtained from the Ohio State Department of Taxation at (888) 405-4039.

Unemployment Insurance Tax

Businesses are required by the state to pay this tax if the company has one or more employees for 20 weeks in a calendar year, or it has paid gross wages of \$1,500 or more in a calendar year. The rate is 2.7 percent on the first \$8,500 in annual wages of an employee. Unemployment insurance must be reported and returns made to the state.

Health and Safety

The Federal Occupational Safety and Health Administration (OSHA) outlines specific health and safety standards employers must provide for the protection of employees. Many states have similar standards. For federal information contact OSHA at (216) 522-3818.

Immigration Act

The Federal Immigration Reform and Control Act of 1986 require all employers to verify the employment eligibility of new employees. The law obligates an employer to process Employment Eligibility Verification Form I-9.

The Immigration and Naturalization Service Office of Business Liaison offers a selection of information bulletins and live assistance for this process through the Employer Hotline. In addition, INS forms and the Employer Handbook can be obtained by calling the Forms Hotline.

- For Forms: (800) 870-3676
- Employer Hotline: (800) 357-2099

Workers' Compensation

If a business employs three or more people, workers' compensation insurance must be carried to provide protection to those injured in on-the-job accidents. The State Board of Workers' Compensation aids people who need claim assistance. For more information contact your state government at (800) 644-6292.

Minimum Wage

Virtually all business entities are subject to the federal minimum wage, overtime and child labor laws. Information on these laws and other federal laws may be obtained from the U.S. Department of Labor, Wage and Hour Division (202) 693-0067.

Other Considerations

All businesses with employees are required to comply with state and federal regulations regarding the protection of employees.

For information on state labor laws, work force availability, prevailing wages, unemployment insurance, unionization, benefits packages and employment services contact the Ohio Department of Labor at (614) 644-2239. Federal information may be obtained by contacting the U.S. Department of Labor at (866) 487-2365.

Bar Coding

The Uniform Code Council, Inc., (not a government agency) assigns a manufacturer's ID code for the purposes of bar coding. Many stores require bar coding on the packaged products they sell. For additional information contact: Uniform Code Council Inc. P.O. Box 1244, Dayton, Ohio 45401, (937) 435-3870.

Useful Telephone Numbers

Federal Government

U.S. Federal Information Center (Unlisted Federal Agencies)	(800) 688-9889
U.S. Department of Education	(800) 872-5327
U.S. Copyright Office	(202) 707-3000
U.S. Environmental Protection Agency	(800) 621-8431
U.S. Internal Revenue Service (IRS)	(800) 829-1040
U.S. Patent and Trademark Office	(800) 786-9199
U.S. Department of Labor	(866) 487-2365
U.S. Equal Economic Opportunity Commission	(800) 669-4000
U.S. Occupational Safety and Health Administration (OSHA)	(216) 522-3818

State of Ohio

1 st Stop Business Connection www.odod.state.oh.us/edd/1ststop/	(800) 248-4040
Incorporating a Business	(877) 767-3453
Registering a Business Name	(877) 767-3453
Workers Compensation	(800) 644-6292
Ohio Department of Transportation	(216) 581-2100

Regional

Northeast Ohio Area Wide Coordinating Agency (NOACA)	(216) 241-2414
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County Government

See "Government Listings" under "County" in your local White Pages	
Cuyahoga County Engineer (Traffic Counts for State and County Roads)	(216) 348-3869

Cleveland Area Community Resources

COSE (Council Of Smaller Enterprises)	(216) 621-3300
Greater Cleveland Growth Association	(216) 621-3300
Cleveland Public Library	
General Information	(216) 623-2800
Business & Economics Department	(216) 623-2927
General Reference Desk	(216) 623-2856
Cleveland State University Northern Ohio Data and Information Service (Census information and reference services)	(216) 687-2209
Better Business Bureau	(216) 241-7678

(continued next page)

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SMALL BUSINESS DEVELOPMENT CENTERS

The Small Business Development Center (SBDC) program is a cooperative effort of the U.S. Small Business Administration, the State of Ohio Department of Development and local organizations. The purpose of the SBDC program is to enhance economic development by providing management and technical assistance to small businesses. SBDC's also can provide specialized services in areas such as government procurement, exporting, hazardous waste management, invention and small business innovation research. Contact the SBDC nearest you for program information and to make arrangements for management counseling and training. The following SBDC's provide services to the Northern Ohio small business community:

Ohio SBDC at Akron Industrial Incubator
526 South Main Street
Suite 311
Akron, Ohio 44311
(330) 375-2111

Ohio SBDC at Growth Partnership for Ashtabula County
36 West Walnut Street
Jefferson, Ohio 44047
(440) 576-9134

Ohio SBDC at Bowling Green State University
40 College Park
Bowling Green, Ohio 43403
(419) 372-9536

Ohio SBDC at Jefferson County Chamber of Commerce
630 Market Street
Steubenville, Ohio 43952
(740) 282-6226

Ohio SBDC at Kent State University College of Business Administration
Summit & Terrace,
Room 300A
Kent, Ohio 44242
(330) 672-2772 ext. 254

Ohio SBDC at Kent State University Stark Campus
6000 Frank Avenue, NW
Canton, Ohio 44720
(330) 499-9600

Ohio SBDC at Kent State University Tuscarawas Campus
330 University Drive, NE
New Philadelphia, Ohio 44663
(330) 339-3391 ext. 279

Ohio SBDC at Lake County Economic Development Center Lake Erie College
391 W. Washington St.
Painesville, Ohio 44077
(440) 357-2290

Ohio SBDC at Lorain County Chamber of Commerce
6100 South Broadway,
#201
Lorain, Ohio 44053
(440) 233-6500 ext. 227

Ohio SBDC at Maumee Valley Planning Organization
197-2-B1 Park Island
Avenue
Defiance, Ohio 43512
(419) 782-6270

Ohio SBDC at Terra Community College
2830 Napoleon Road
Fremont, Ohio 43420-9967
(419) 334-8400

Ohio SBDC at Toledo Chamber of Commerce
Enterprise Suite 200
300 Madison Avenue
Toledo, Ohio 43604-1575
(419) 243-8191

Ohio Multicultural SBDC at the Urban League
2930 Prospect Ave.
Cleveland, Ohio 44115
(216)812-3161

Ohio SBDC at Youngstown State University
241 Federal Plaza West
Youngstown, Ohio 44503
(330) 746-3350



Business Insurance

Like home insurance, business insurance protects the contents of your business against fire, theft and other losses. Contact your insurance agent or broker. It is prudent for any business to purchase a number of basic types of insurance. Some types of coverage are required by law, others simply make good business sense. The types of insurance listed below are among the most commonly used and are merely a starting point for evaluating the needs of your business.

- **Liability Insurance**—Businesses may incur various forms of liability in conducting their normal activities. One of the most common types is product liability, which may be incurred when a customer suffers harm from using the business product. There are many other types of liability, which are frequently related to specific industries. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.
- **Property**—There are many different types of property insurance and levels of coverage available. It is important to determine the property you need to insure for the continuation of your business and the level of insurance you need to replace or rebuild. You must also understand the terms of the insurance, including any limitations or waivers of coverage.
- **Business Interruption**—While property insurance may pay enough to replace damaged or destroyed equipment or buildings, how will you pay costs such as taxes, utilities and other continuing expenses during the period between when the damage occurs and when the property is replaced? Business Interruption (or “business income”) insurance can provide sufficient funds to pay your fixed expenses during a period of time when your business is not operational.
- **Office and Director**—Under some circumstances, officers and directors of a corporation may become personally liable for their actions on behalf of the company. This type of policy covers this liability.

SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

- **“Key Man”**--If you or any other person is so critical to the operation of your business that it cannot continue in the event of your illness or death, you should consider “key man” insurance. This type of policy is often required by banks or government loan programs. It also can be used to provide continuity in operations during a period of ownership transition caused by the death or incapacitation of a “key” employee.
- **Automobile**--A vehicle owned by your business should be insured for both liability and replacement purposes. You also may need special insurance (called “non-owned automobile coverage”) if you use your personal vehicle on company business. This policy covers the business’ liability for any damage which may result from such usage.
- **Home Office**--If you are establishing an office in your home, it is a good idea to contact your homeowner’s insurance company to update your policy to include coverage for office equipment. This coverage is not automatically included in a standard homeowner’s policy.

The Service Corps of Retired Executives is a 14,000-member volunteer program sponsored by the U.S. Small Business Administration. The program matches retired executives with small businesses that need expert advice. These business executives, whose collective experience spans the full range of American enterprise, share their management experience and technical expertise with present and prospective owners/managers of small businesses. Management counseling sessions are provided to the small business customer on a **free and confidential basis**. SCORE also offers monthly comprehensive seminars with a curriculum designed to benefit start-ups and serve as a refresher course for owners of existing businesses. Call your nearest SCORE office to arrange for a management counseling session and to inquire about seminar fees and registration.

Akron SCORE Chapter #81
One Cascade Plaza, 18th Floor
Akron, Ohio 44308
(330) 379-3163

Cleveland SCORE Chapter #30
Small Business Administration
1111 Superior Avenue, Suite 620
Cleveland, Ohio 44114-2507
(216) 522-4194

Canton SCORE Chapter #580
6200 Frank Avenue, NW Rm. T101B
Canton, Ohio 44720-7299
(330) 966-5465 ext. 4869

Toledo SCORE Chapter #80
2200 Jefferson Ave., 1st Floor
Toledo, OH 43624
(419) 259-7598

Youngstown SCORE Chapter #112
410 Wick Avenue, Room 306
Youngstown, Ohio 44555
(330) 746-2687

ON-LINE WOMEN’S BUSINESS CENTER

This is SBA’s interactive website for women entrepreneurs, www.onlinewbc.gov, offering information an entrepreneur needs to start and build a successful business. The center is a public-private partnership among the SBA and several major U.S. corporations. The numerous features of the center include training, mentoring, individual counseling, and topic forums and newsgroups. Information is available in several languages.

The mission of this SBA Internet website is to serve as the premier, trusted, virtual business advisor for women business enterprises (WBE’s)

Local Resource: Serving Cuyahoga County
Women Business Center
Alex Community Development Corporation
12200 Fairhill Road, Suite B-407 Cleveland, Ohio 44120
216-707-0777 wbc.alexcdc@sbcglobal.net



SBA MINORITY ENTERPRISE DEVELOPMENT

Over the past several years there has been an active review and discussion of programs that have collectively been referred to as “affirmative action.” SBA’s prime program to assist minority small business is the 8(a) Program. Under the 8(a) program, firms are certified for a period of nine years, based upon the social and economic disadvantage of the owner(s). Once certified, they are eligible to receive Federal government contracts on either a sole source or competitive basis depending upon the amount of the contract.

What Has the Program Accomplished?

Looking to the firms here in Northern Ohio, there are presently seventy-one firms that are certified under the 8(a) program. As a result of contracts granted under 8(a), significant federal dollars were channeled into the community and a substantial number of jobs were created.

How Does the Program Work?

The program is based upon the eligibility of the owner(s). Those who are BOTH socially and economically disadvantaged and who are in control of their businesses are eligible for receipt of contracts through the SBA. Unlike other programs, the Small Business Administration is the prime contractor and the 8(a) firm is the subcontractor. In effect, the SBA, as a Federal Agency, agrees to perform the work of another Federal Agency and then, by virtue of the subcontract to an 8(a) firm, allows for that work to be performed by a small disadvantaged business.

No Streets of Gold

Once a firm has been certified under the program, there is no assurance that the business will receive government contracts. First, it is necessary for the small business to market its goods or services to the Federal government. Secondly, it is necessary that the small disadvantaged business demonstrate its ability to perform the work.

Third, the price of the contract cannot exceed what the government has deemed to be the Fair Market Price for the product or service. So in looking at the program, it allows the firm the **opportunity** to perform the work at a fair and reasonable price. It requires performance, competitiveness, and also requires marketing and technical expertise. The SBA staff assists the 8(a) contractor in marketing, contract negotiations and other technical questions pertaining to government procurement.

In any given year, approximately half of the firms that are 8(a) certified receive some form of contract assistance.

Where Does the Work Come From?

The work that is provided to the 8(a) firms comes from other Federal agencies, which have made a determination to place a project into the program. The agencies are located here in Northern Ohio as well as across the country. By virtue of the 8(a) firm’s ability to procure this work, there is a considerable amount of Federal money that flows back into Ohio and serves to stimulate our local economy.

How to Apply?

Companies that would benefit from the 8(a) program should attend the SBA’s briefings on the program on the second Friday of each month (10:00 a.m.) at its office in Cleveland. For a packet of information, call (216) 522-4180, extension 216.

SDB Small Disadvantaged Business

In the *Adarand Contractors, Inc. vs. Pena* case, the U.S. Supreme Court extended strict judicial scrutiny to Federal affirmative action programs that use racial or ethnic criteria as a basis for decision making. Under strict scrutiny, any Federal program that makes race a basis for contract decision making must be narrowly tailored to serve a compelling Government interest.

SBA FINANCIAL ASSISTANCE

The SBA offers a variety of financing options to eligible small business concerns that cannot borrow on reasonable terms from conventional lenders without government help. The SBA’s assistance usually is in the form of loan guarantees. The SBA guarantees loans made by banks and other private lenders to small business clients. Generally, the SBA can guarantee up to \$1,000,000 or 75 percent of the total loan value, whichever is less. The agency guarantee reduces the

probability of a loss to the lender and makes it easier for a small business client to borrow money.

Most lenders utilize “regular” processing on loan guarantees. This processing requires a thorough analysis of the application and a decision by the SBA. Processing time varies according to the completeness and complexity of the application; average time is about one week. **A chart comparing the features of the SBA’s major lending programs is on pages 12 and 13.**

SDB certification allows the company to participate in programs in which price and evaluation credits are offered. Credits will be available only in industries that show the ongoing effects of discrimination. The benchmark system ties affirmative action to objective data demonstrating that small, disadvantaged firms in particular industries have been harmed by discrimination.

To become certified, the company must be owned and operated by a socially and economically disadvantaged individual. Companies in the 8(a) program are automatically classified as SDB. SDB certification may be obtained only from the SBA.

Surety Bonding

One area that remains critical to small business is the ability to obtain a surety bond when required. Many businesses have experienced difficulty in this area, which has given rise to the increased emphasis being placed on the Surety Bond Guarantee Program.

The SBA's Surety Bond Guarantee Program is alive and well. Under the program, the SBA is able to offer its guaranty to a major surety or underwriter. The program is available to assist small businesses in obtaining bonds for contracts of less than \$1.25 million. The SBA, by offering to guarantee the bond to the surety company, shifts some of the risk from the surety onto itself. Oftentimes, this is a sufficient inducement to allow the surety company to provide a bond. The surety bond program has grown over the years and represents a vital tool in the SBA's efforts to assist small business.

The Cleveland District Office maintains a listing of the insurance agents in Ohio who are active in the program. For additional information on the program and how it works, contact John Hogan, Assistant District Director, 8(a) Business Development, at (216) 522-4180, ext. 222.

Certified Lender Program (CLP)

Lenders who are more heavily involved in the SBA guarantee program and meet the agency's criteria can participate through the Certified Lender Program. Certified lenders receive a partial delegation of authority from SBA and assume greater responsibilities in processing, closing, servicing and liquidating loans. As a result, their loan guarantee applications are given a three-day turnaround by the SBA office, provided everything is in proper order.

HUBZones

This new program encourages economic development in "historically underutilized business zones" through the establishment of Federal contract award preferences for small businesses located in such areas. It has been estimated that \$6 billion in Federal contracts will be awarded in HUBZones in the next five years.

After determining eligibility, the SBA lists qualified businesses in its PRO-Net database. There is a state-of-the-art geographic map available through SBA's homepage, which can help potential applicants determine if their location is in a HUBZone. The HUBZone application is also available through the web site, at <http://www.SBA.gov/hubzone>.

PRO-Net

PRO-Net is an Internet-based database of small business information. There is no charge for registering on PRO-Net. Nearly 200,000 small, disadvantaged, 8(a) and women-owned businesses are currently registered. It is a search engine employed by Federal and State government agencies, prime and other contractors seeking small business contractors, subcontractors and/or partnership opportunities.

Businesses profiled on the PRO-Net system include data from the SBA's files and other available databases. Profiles include key information regarding contracts completed and executive summaries. Profiles provide vendors an opportunity to put a controlled "marketing spin" on their businesses. Companies with "home-pages" can link their Website to their PRO-Net profile, creating a very powerful marketing tool. PRO-Net is linked to the Commerce Business Daily (CBD), agency homepages and other sources of procurement data.

PRO-Net can be accessed via SBA's homepage at www.SBA.gov.

Preferred Lender Program (PLP)

Lenders under this program have participated successfully as certified lenders and are given even wider delegation of authority. They can decide unilaterally on SBA participation in eligible business loans. The purpose is to more fully reduce processing time on strong credits. The Certified and Preferred Lender Programs benefit the loan applicant, the lender and the SBA. Loan applicants and lenders receive faster service, and the SBA is able to leverage its resources to provide better assistance to more small businesses.

SBA's MAJOR LENDING PROGRAMS

Loans	7(a) REGULAR BUSINESS	SBA <i>LowDoc</i> LOANS	DEVELOPMENT COMPANY LOANS (504)	CAPLines: SHORT-TERM LCs; REVOLVING LINES
Who can apply?	Businesses that qualify as small under SBA size standards and cannot borrow on reasonable terms from conventional lenders without government help; business must be operated for profit	Businesses with \$5 million or less annual sales and 100 or fewer employees, unable to borrow from conventional lenders without government help; business must be operated for profit	Businesses that qualify as small under SBA size standards and cannot borrow without government help; business must be operated for profit and cannot exceed \$7 million in net worth and \$2.5 million in net income	Same eligibility criteria that apply to SBA 7(a) Regular Business Loans
Purpose	Fixed assets, working capital for expansion, or to finance start-ups; some debt payment allowed	Fixed assets, working capital for expansion, or to finance start-ups; some debt payment allowed	Fixed assets for growth and in rural and urban areas, geared to create and retain jobs	To finance seasonal working capital needs; contract costs; construction costs; advances against existing inventory and receivables; consolidation of short-term debts
Maximum Percent of Guarantee	75% (85% if total loan is \$150,000 or less)	85%	40% of total project cost	75% (85% if total loan is \$150,000 or less)
Maximum Loan Amount	Maximum loan amount \$2,000,000	\$150,000	SBA share limited to \$1,000,000 (\$1,300,000 for projects that meet certain Public Policy Goals)	Same as 7(a) Regular Business Loans \$200,000 for Small Asset-Based loans
Maturity	Generally 5-7 years for working capital, up to 15 years for equipment, and up to 25 years for real estate	5-7 years for working capital, up to 15 years for equipment, and up to 25 years for real estate	10 or 20 years	Up to 5 years on either a revolving or non-revolving basis
Maximum Interest Rates	Prime plus 2 ¼% for maturities under 7 years; prime plus 2 ¾% for maturities of 7 years or longer; slightly higher rates for loans \$50,000 and under	Prime plus 2 ¼% for maturities under 7 years; prime plus 2 ¾% for maturities of 7 years or longer; slightly higher rates for loans \$50,000 and under	1% above long-term Treasury Bond Rates, fixed	Prime plus 2 ¼%
Special Features and/or Restrictions	Loans cannot be made to businesses involved in speculation or investment real estate; SBA generally requires that the owner(s) inject ¼ to ½ of the total assets needed to launch a new business	These loans focus on an applicant's character, credit and experience and provide a rapid response from SBA; one page SBA loan application	Must create or retain one job for every \$35,000 received from SBA; no working capital or debt repayment under this program	Seasonal financing; contract financing; builder financing; standard asset-based loans; small asset-based loans

EXPORT WORKING CAPITAL PROGRAM (EWCP)	INTERNATIONAL TRADE LOANS	SBAExpress	EXPORT EXPRESS	7(m) MICRO-LOAN PROGRAM
Small firms presently engaged or preparing to engage in exporting; under certain conditions, Export Management Companies (EMC) and Export Trading Companies (ETC); eligibility same as 7(a) Loans	Small businesses presently engaged or preparing to engage in international trade or those adversely affected by import competition	Same eligibility criteria that apply to 7(a) Regular Business Loans	Small businesses that have been in operation for 12 months and can demonstrate that the loan will help them enter or expand a new export market.	Same as 7(a) Regular Business Loans
To provide working capital funds for the manufacture or purchase of goods or services for export; to finance receivables resulting from export sales	To finance United States-based facilities or equipment for producing goods or services for export	Same as 7(a) Regular Business Loans; may be used for term loans or revolving credits if not more than 7 years	To help small businesses in their exporting efforts.	Same as 7(a) Regular Business Loans, except no debt payment
90%	75% under 7(a) program; 40% of total project under 504 program	50%	85% for loans 150m and less; 75% for loans over \$150m	NA
Same as 7(a).	Same as 7(a) Regular Business Loans; however, SBA share limited to \$250,000 for working capital and \$1,000,000 for facilities or equipment	\$250,000	\$250,000	\$35,000
Generally up to 12 months; extensions to 36 months possible	Same as 7(a) and 504	Same as 7(a) Regular Business Loans	Same as 7(a) Regular Business Loans	Shortest term possible, not to exceed 6 years
No cap	Same as 7(a) and 504	Up to Prime plus 4.5% for loans of \$50m to \$250m; up to Prime plus 6.5% for loans of \$50m and less	Same as SBA Express	Negotiable with intermediary
Generally, applicants should have been in operation, not necessarily in exporting, for 12 months preceding application; export trading companies owned by lenders are not eligible	Loans can be made as either 7(a) or 504; no debt payment permitted from loan funds	Approved SBA Express lenders use primarily own procedures and paperwork to process loans	Same as SBA Express	Loans are made through non-profit lending intermediaries; technical assistance also provided