



In Touch

With the Western Pennsylvania District Office

Winter 2004

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A publication for small business resource partners in Western Pennsylvania

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www.sba.gov/pa/pitt/directory.html

*All of the SBA's programs and services
are provided to the public on a
nondiscriminatory basis*

Monday, March 8, 2004

AN INVITATION TO SBA'S 50TH ANNIVERSARY LUNCHEON

SBA'S ECONOMIC GROWTH TOUR *Listening to America's Job Creators*

The United States Small Business Administration has been the number one resource for entrepreneurs in the United States for 50 years. Millions of small businesses owe their success to one or more of SBA's counseling, technical assistance, guaranteed financing, procurement or disaster programs.

This event will be held at the Radisson Hotel at Waterfront Place, Morgantown, WV. The luncheon will begin at 12:30 PM. SBA Administrator Hector Barreto will be the featured speaker and will recognize the achievements of small business leaders from across the region.

On March 8, 2004, SBA Administrator Hector Barreto and Region III Administrator Allegra McCullough would like you to join them for an Anniversary Luncheon to celebrate SBA's contribution to the economic development of Delaware, Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia.



There is no charge for this event, but seating is limited and pre-registration is required.

Please RSVP by February 25, 2004. Please complete the form below and fax it to 215-580-2800 or register on the web at www.sba.gov/region3/50. Please direct any questions to Randi Nuzum at 304-623-5631 ext. 238 or to wvinfo@sba.gov.

To register for SBA's Anniversary Luncheon on Monday, March 8, 2004 -12:30 P.M., complete and fax to 215-580-2800 or register online at www.sba.gov/region3/50

Name _____ Date _____

Business Name _____

Address _____ City _____

State _____ Zip _____ E-mail Address _____

Telephone _____ Fax _____

Attending Name(s) - (Print clearly for name tag purpose) Confirmation will be received by e-mail

The support given by the U.S. Business Administration to this activity does not constitute an express or implied endorsement of any cosponsor's, donor's, contractor's, or participant's opinions, products, or services. All SBA programs and cosponsored programs are extended to the public on a non-discriminatory basis. Reasonable accommodations arrangement for persons with disabilities will be made, if requested at least 2 weeks in advance. Co-sponsorship Authorization #03-2110-52.

SBA Implements \$750,000 Limit for 7(a) Loans

Due to the high demand for SBA government guaranteed loans, the U.S. Small Business Administration reduced the maximum loan size to \$750,000 on regular 7(a) loans approved on or after January 8, 2004 in order to provide assistance to the maximum number of small businesses. As of the start of fiscal year 2004, SBA's 7(a) loan program is running at 40 percent ahead of the number of loans approved and 45 percent ahead of dollars approved at this same point in time during last year's record breaking year. The \$750,000 limit should allow SBA to provide continuing, uninterrupted financial assistance. Ninety-five percent of entrepreneurs who have obtained 7(a) assistance since the beginning of this fiscal year have been funded within the \$750,000 limit.

The \$750,000 cap is the gross amount of a loan or loans to a small business and its affiliates that may be approved under the 7(a) program during fiscal year 2004. 7(a) loans already made in fiscal year 2004 are to be included in calculating the gross amount. This policy is in effect until December 1, 2004.

In order to meet the needs of a borrower, 7(a) lenders are encouraged to utilize the Certified Development Company Program (504 Loan Program) for entrepreneurs who are seeking to finance the acquisition and/or renovation of land and commercial real estate and to purchase machinery and equipment. The 504 Loan Program can be combined with a companion 7(a) loan for the borrower's other needs. ~~SBA~~

SBA Form 912 Revised

SBA Form 912, Statement of Personal History, was revised in October 2003. All previous versions of SBA Form 912 are now obsolete. The Form 912 is used by SBA to for character and credit eligibility decisions in determining whether to guarantee or make a loan, guarantee a surety bond, certify a firm for section 8(a) program status, issue certificates of competency, or for other forms of SBA assistance. SBA Form 912 was revised to further address the legal status of aliens. The previous version of the form asked the "yes" or "no" question: are you a U.S. citizen? The form was revised to add a follow-up question for those who indicate they are not a U.S. citizen, asking whether respondents are "lawful permanent resident aliens." As before, all non-U.S. citizens applying for SBA assistance would then continue to provide their alien registration number.

To access the revised SBA Form 912, visit the SBA web site at www.sba.gov/library/forms.html. ~~SBA~~

Modifications to the SBA 504 Loan Program

The SBA has made several changes to its 504 Loan Program in its final rule, which became effective November 6, 2003. For additional information, please see the Federal Register published on October 7, 2003.

§120.802 CDC's Area of Operations for every CDC has been modified as follows:

Area of Operations is the geographic area where SBA has approved a CDC's request to provide 504 program services to small businesses on a permanent basis. The minimum Area of Operations is the State in which the CDC is incorporated. CDCs that have been approved by SBA for a local economic area expansion in an adjacent state will continue to include in their Area of Operations only those counties in the adjacent state for which they were specially approved.

§120.861 Job creation or retention

Job creation or retention, the change requires that a project must create or retain one Job Opportunity for every \$50,000 guaranteed by SBA.

§120.882 Eligible Project costs for 504 loans

Professional fees directly attributable and essential to the Project, such as title insurance, opinion of title, architectural and engineering costs, appraisals, environmental studies, and legal fees related to zoning, permits, or platting; and

§120.883 Eligible administrative costs for 504 loans

Borrower's out-of-pocket costs associated with 504 loan and Debenture closing other than legal fees (for example, certifications and the copying costs associated with them, overnight delivery, postage, and messenger services) but not to include fees costs described in §120.882.

In addition, the on-going guarantee fee for the 504 Loan Program is 0.393 of one percent, which became effective October 1, 2003. This is a decrease from the FY 2003 fee of 0.425 of one percent.

To learn more about the 504 Loan Program, contact the district office or a 504 CDC intermediary. ~~SBA~~



You are Invited!

Annual SBA Small Business Awards Luncheon

*Sponsored by the Western Pennsylvania Small Business Network
& Convened by the Pittsburgh Regional Alliance*

Friday, May 7, 2004
Westin Convention Center Pittsburgh
Trade Exhibit: 10:30am
Registration and Cash Bar: 11:00am
Awards Luncheon: 11:45am

The U.S. Small Business Administration-Western Pennsylvania District Office, in conjunction with the Western Pennsylvania Small Business Network (WPSBN), will honor local entrepreneurs and advocates at the 28th Annual SBA Awards Luncheon on Friday, May 7, 2004 at the Westin Convention Center Pittsburgh, 1000 Penn Avenue, Pittsburgh, PA 15222.

“More than six hundred individuals attended the event last year, which was the Pittsburgh District Office’s largest awards luncheon in its history,” commented Raymond N. Becki, SBA District Public Information Officer. “This year’s event promises to be even bigger and better. We are presently negotiating to get national legislative representatives to be the keynote speakers for the program,” he added. “For the fifth year in a row, one of the nominees from western Pennsylvania has gone on to compete for the national award. National Small Business Week is May 17-21, 2004, and we hope to have at least one national winner at the event in Orlando again this year!”

Dr. Mary McKinney of Duquesne University Small Business Development Center (who serves as the Chairperson of the WPSBN) remarked, “The Western Pennsylvania Small Business Network is pleased once again to co-sponsor the SBA Awards Luncheon, the pre-eminent small business awards program in the state and one of the great programs in the country. We plan to offer our best program ever this year.”

To attend the luncheon celebration, please submit a check made payable to the *Western PA Small Business Network* for \$30 per person or \$300 for a table of ten and forward it along with the list of attendees to:

Attn: Ms. Ellen Greek
Pittsburgh Regional Alliance
Regional Enterprise Tower
425 Sixth Avenue – Seventh Floor
Pittsburgh, PA 15219

Registrations received after April 30, 2004 will be \$35 per person or \$350 for a table of ten. For additional information, please contact Ellen Greek of the PRA at (412) 392-4555, x4506 or Raymond Becki of SBA at (412) 395-6560, x104. On-line reservations will be available soon.

We hope you will join the Western Pennsylvania SBA District Office at the 2004 awards celebration to honor and congratulate these successful entrepreneurs and small business advocates who have contributed so much to the economic vitality of western Pennsylvania. **SBA**

In Touch

The Western Pennsylvania District Office would like you to keep in touch!

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If you are interested in contributing information for this newsletter, please contact us.



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Brownfields Federal Partnerships

The Brownfields Federal Partnership Action Agenda was established in response to the Small Business Liability Relief and Brownfields Revitalization Act of 2002 (PL 107-118). A brownfield is real property in which the expansion, redevelopment, or reuse of that property may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. The Partnership Action Agenda represents the focused efforts of 23 federal agencies, making over one hundred commitments to work together in a timely manner to help communities more effectively prevent, assess, safely clean up, and reuse brownfields.

The SBA's commitment to the Partnership Action Agenda is to disseminate brownfields-related information and to make all of its programs available (while maintaining its existing environmental requirements for loan approval) to small businesses located near brownfields. The brownfield-related information includes: (1) Tax Incentives; (2) Superfund Liability Exemption; (3) SBA Loan Policy; and (4) Environmental Issues.

Tax Incentives: Under the Taxpayer Relief Act of 1997, certain environmental clean-up costs at targeted brownfields sites may be fully deducted by the current owners of the property in the year in which they are incurred. This is not a tax credit, but it indirectly reduces the tax burden by lowering taxable income. The incentive allows a business to claim eligible cleanup costs as a current expense, rather than having to capitalize them as long-term assets. To determine if a specific property is eligible for a brownfields tax incentive, go to www.epa.gov/brownfields/html-doc/eligible.htm.

Superfund Liability Exemption: The Small Business Liability Relief Act and Brownfields Revitalization Act implemented revisions to the Superfund statute. The Superfund statute imposes liability for the clean-up of hazardous substances on parties which currently own the relevant property, which owned such property in the past, or which transported or arranged for the transportation of hazardous substances to contaminated property, without regard to whether the party was responsible for causing the contamination.

SBA Loan Policy: In December 1997, SBA revised its SOP to give district offices greater latitude in evaluating the risk to collateral property from environmental contamination. The revision provided guidance for field offices to determine whether the risk was manageable so that financial assistance could be provided.

Environmental Issues: Encouraging brownfields cleanup and redevelopment removes pressures to develop greenspace. Every acre of brownfields that is redeveloped saves 4.5 acres of greenfields. This is because Greenfield land use requirements include land-consuming provisions such as setback requirements, parking requirements, lot coverage or density limitations, and minimum lot sizes. **SBA**

New Web Tool Helps State Lawmakers Create Business Friendly Climate

State legislators, small business owners, and activists in the fight for economic development now have a new web tool in their arsenal. The SBA's Office of Advocacy's web page offers a one-stop for proposed legislation, current state laws, statistics, and information.

The new web tool, located at www.sba.gov/advo/laws/law_modeleg.html, is the latest step in Advocacy's promotion of small business friendly regulatory policy at the state level. After consideration by state legislators, the American Legislative Exchange Council endorsed the draft model regulatory flexibility legislation submitted to them by Advocacy. Many states have taken steps to encourage small business friendly regulations.

The legislation, modeled after the federal Regulatory Flexibility Act (RFA), would require state agencies to consider their impact on small business before imposing regulatory mandates. By listening to small businesses, state agencies can ensure that small business resources that would have been spent on over burdensome new regulations are instead available for hiring new employees and making new investments. At the same time, agencies still meet their regulatory goals such as higher environmental quality, greater travel safety, better workplace conditions, and increased family financial security.

Currently, states offer a patchwork of laws that protect small business owners and their employees from excessive regulatory mandates. Some states offer protections similar to the RFA that mirror the role of the Office of Advocacy. Other states offer little or no protection from the one-size-fits-all regulatory mentality.

For more information on small business friendly regulations for states, visit the new Office of Advocacy web site mentioned above. **SBA**

Employee Departures

In the Loan Servicing/Portfolio Management Division, the following Commercial Loan Specialists have left the agency: Gerald DiLudovico (retired after 30 years of service at the SBA), Marge Szabo, and Linda Carey (who also served at the Women Business Ownership Representative). Dave Miller, former Assistant District Director for Economic Development, has moved on as Senior Vice President & Relationship Manager of Enterprise Bank, while former SBA District Counsel Mike Scott will serve as Corporate Counsel at the same Bank. **SBA**

Breaking Ground in Blair County

Submitted by the Internal Revenue Service

On December 3, 2003, Furrer Beverage broke ground for their future 71,000 square foot warehouse and office operation (see picture below). The property is located along the Pinecroft Interchange of Interstate 99 in Northern Blair County in a state-designated Enterprise Zone. The move to this modern, larger facility will allow the company to meet both their current and projected growth needs. Furrer Beverage will continue to distribute with sales to sub-distributors on both the wholesale and retail level, as well as sales to eating and drinking establishments, with a small percentage of sales to the general public.

Furrer Beverage began operations in 1928, selling “near beer” during the prohibition era. Upon the repeal of prohibition, Furrer began selling Old German Beer, its first line of beer products. In 1936, Furrer Beverage was awarded the Anheuser – Busch master distributorship and still retains that agreement. In 1997, the business obtained the master distributorship for D.G. Yuengling & Sons.

Today, the business is operated by third generation members of the Furrer family. Thomas Furrer is the President of Furrer Beverage and Paul Furrer is the Secretary/Treasurer of the company. Both gentlemen are actively involved in the daily business operations. Madeline Furrer is the company’s Vice President and assists with the administrative functions for the company.

Madeline Furrer notes that “This expansion is all about the future and all about the space and access to meet future distribution needs. We have operated in Blair County for 70 years, through three generations of family ownership. This is our home and we’re proud to be here.”

Total project cost is estimated at \$5 million. The financing of the project was coordinated by ABCD Corp. and includes equity participation, the SBA’s 504 Program, and Omega Bank. The project will enable the company to retain 21 jobs, create four new jobs. In speaking for the SBA, Judith Kirby commented, “I want to offer the Agency’s congratulations to the Furrer family on the groundbreaking for your new distribution facility and look forward to coming back to this site next summer for the building dedication event.”



In the 21st Century, you can run your entire business electronically. So why not file and pay your business taxes the same way? Now business taxpayers and tax preparers can file and pay by telephone, by Internet, or by PC software. It’s more economical with less paperwork. It’s more efficient with increased accuracy. And it’s more effective since you will spend less time filing tax returns and making payments and more time focused on your business.

Some Advantages of Going All Electronic:

- **Increased Accuracy:** IRS computers quickly and automatically check for errors or other missing information, making *e-file* returns more accurate and reducing the chance of getting an error letter from the IRS.
- **Quick Electronic Confirmation:** Computer *e-filers* receive an acknowledgment that the IRS has received their returns. Callers using TeleFile receive a confirmation number while they are still on the phone, letting them know that the TeleFile system has accepted their return.
- **Delete the Paperwork Through Electronic Signatures:** Taxpayers can create their own Personal Identification Number (PIN) and file a completely paperless return using their tax preparation software or tax professional. There is nothing to mail to the IRS.
- **Easy Payment Options:** With EFTPS (*Electronic Federal Tax Payment System*) you can make your payments from the convenience of office or home, 24 hours a day 7 days a week, using the Internet, EFTPS PC software or by telephone. You need to enroll in EFTPS to use the system.

If you are a business taxpayer, ask your tax preparer about *e-filing* and EFTPS. If you are a tax professional, ask your software developer about adjusting your programs to take advantage of electronic filing and EFTPS. And to find out more, visit www.irs.gov, and click on the *e-file* logo. You’ll also find a listing of Approved IRS *e-file* for Business Providers at www.irs.gov/efile/index.html. To enroll or obtain more information about EFTPS, visit www.eftps.gov.

File Smart...File Electronic

Taxes and the IRS - Frequently Asked Questions

Submitted by David M. Wilke, Managing Partner of Wilke & Associates, LLP

How can I prepare for an IRS audit before it happens?

Additional training and improved technology are available for examiners and revenue agents. This could mean more audits may be conducted on this year's returns than in prior years. Advances in government computer technology allow the IRS to more efficiently and effectively scrutinize tax returns during routine processing. As a result, each year there is an increasing likelihood that you may receive an inquiry from the Federal, State, and Local taxing authorities as to the completeness or accuracy of your income tax returns.

"Audit-proofing" your tax return means knowing what the IRS will be looking for long before your tax return is prepared, and being in compliance with documentation and substantiation requirements.

Three critical elements in the "audit-proofing" process are as follows:

- Substantiate revenue and cash receipts
- Substantiate your expenses, deductions, and cash disbursements
- Learn the points of law that apply to your tax return and document your point of view.

Substantiate means to have "documented evidence" like a "receipt" to support a purchase or an "invoice" to support revenue. Substantiate may also mean documentation of business usage like automobile mileage logs. The evidence should agree to your tax return. A business should also have a "general ledger" which is a summary of all transactions during the year. Tax examiners are impressed when they encounter taxpayers who are not only versed on the finer points of the tax law, but who are also totally prepared with all the substantiating documents to back up their deductions and support their revenues. A tax examiner impressed with your cooperation and organization may be less inclined to probe deeper to find something wrong.

How long should I maintain tax documents?

Generally individuals and small business owners should keep receipts, invoices, bank statements, credit card bills, etc. for a minimum of four (4) years. Generally the internal revenue service can audit tax returns going back for three (3) years; however, the IRS can go back six (6) years for tax returns with significant errors as shown below:

Determination of IRS Examination Statute of Limitations:

- Income tax returns = 3 years generally.
- Income tax returns with substantial income understatement (> 25%) = 6 years.
- Fraudulent return = NO limit.
- No return filed = NO limit.

Certain records should generally be retained for longer periods as follows:

- Small Business/Self-Employed supporting documents – IRS recommends 7 years.
- Cost basis of property – based on retention period for year in which sold.
- Depreciable assets – based on the last year depreciation claimed on the asset.
- Deductions for bad debts or worthless securities – 7 years (IRC Sec 6511(d)(1)).
- Tax records that should generally be kept indefinitely include copies of tax returns, results of an audit, general ledgers, and financial statements.

Why is finding a good team of professionals important?

Whether you are embarking on a new start-up business or whether you are already a successful business owner, choosing a competent and compatible CPA, attorney, and banker is critical. Building a good working relationship with your professional advisors will give you "piece of mind" so that you can concentrate on what you do best – making a profit! A good team of professionals will also maximize your chances of developing a successful business.

There are a number of things to look for in an accountant, an attorney, and a banker. First, it is important that each of the professionals is someone with whom you can have an effective communication system. Professionals who do not return your phone calls and are slow to get your work done will not be a good fit for you.

Second, your professional team must have vast experience that is compatible with your anticipated needs. Choosing a CPA firm that concentrates on performing audits may not be a good fit to prepare your tax returns. A divorce attorney may not be a good fit to help you form a new company. A banker who works mostly with personal accounts will usually not be the best person to choose for your small business needs.

Third, you should consider finding professionals who know one another and share existing clients. Knowing that your professionals already have a working relationship should minimize any concern you might have about differences in philosophies and business practices. Professionals who regularly work together usually have an effective communication system.

Finding the right professionals can lead to growth and success for your business; failing to do so could also mean the rapid demise of an otherwise great business idea. **SBA**

QUALITY CIRCLE

2004

Small Business Lending Conference

Seven Springs Mountain Resort March 11 & 12, 2004

Once again, the Western PA Association of SBA Guaranteed Lenders (WPASGL) welcomes all lenders and resource partners to return to the mountains for Quality Circle 2004! This year's Quality Circle will be held at Seven Springs Mountain Resort on Thursday & Friday, March 11 & 12, 2004.

QC2004 is the premier small business lending conference in Pennsylvania and possibly the entire Northeast. Quality Circle 2003 drew over 300 lenders and resource partners from around the region, and this year's program is expected to be better than ever. In today's economy, knowledge of SBA's loan programs and other credit risk mitigation tools are more important than ever, and Quality Circle has been designed to provide intensive training to both new and seasoned SBA lenders in a fun atmosphere.

This year's program will bring back some old favorites from the past several years and offer a number of new seminars and discussion topics as well. The Quality Circle offers programs of interest to both novice and experienced SBA lenders and also includes numerous programs of interest to our nonlending resource partners and service providers as well.

For new SBA lenders and resource partners, our popular introductory session entitled *SBA Lending 101* has now been split into two parts, covering the basic eligibility and underwriting parameters of SBA lending programs in *101*, and focusing on program delivery methods like LowDoc, SBA Express, and Caplines and new policy changes in *102*. Other planned SBA lending related breakout sessions and discussion topics include: *SBA's 504 From Beginning to End*, *Staying In "Form"ed on SBA Application Documents*, *Effective SBA Loan Closings*, *How to Guarantee your Guaranty*, *Hop Aboard the SBA Express*, *SBA's New Loan Liquidation Center*, and many more. The conference will also expand its breadth of program offerings this year to include topics of general interest to commercial lenders and resource partners, tentatively including *The Myths about Restaurants*, *The Value in Business Valuation*, *Taxing Changes on Small Business*, *Where's the Cash?*, *What's the Score?*, and *Time Management for Bankers*.

This year's event will also introduce a new Resource Fair for SBA and traditional lending resources and vendors to discuss their products and services available to conference participants during Thursday's luncheon program. The WPASGL will again host the now famous (or infamous!) lenders' party in the Matterhorn Lounge on Thursday evening for all Quality Circle attendees, featuring live entertainment.



Please join us for two days of training, education, interaction, networking, and FUN in the mountains! Seven Springs Mountain Resort is known as one of the best ski resorts in Pennsylvania, offering comfortable accommodations, and a myriad of recreational opportunities.

Overnight accommodations can be made by contacting the resort at (800) 452-2223 (**Please be sure to indicate that you are with the Guaranteed Lenders' conference**). Due to the limited number of rooms available during the ski season, **PLEASE MAKE YOUR ROOM RESERVATIONS ASAP; DON'T WAIT OR YOU MAY MISS OUT!** **Rooms will only be guaranteed until February 8th.** Lodging rates for conference attendees are as follows:
\$98.00 per person, per night, single occupancy
\$73.00 per person, per night, double occupancy
Please note that a \$75.00 deposit is required per room to guarantee your reservation. Overflow accommodations may be made by contacting the Days Inn Donegal at (724) 593-7536 or the Days Inn Somerset at (814) 445-9200. Casual dress is suggested.



Baking up a Storm in Blair County

On December 11, 2003, Shirley's Cookies Co., Inc. held a ribbon cutting and building dedication ceremony (pictured below) at their new facility. The business has been in operation since 1967 and has evolved from a small town donut shop in both retail and wholesale trade. In 1969, company president Zane Feathers introduced raisin filled cookies to the product line. As the demand for donuts began to wane and the cookie market continued to grow, Mr. Feathers began to develop a filled product that could be sold wholesale to food distribution warehouses.

In 2000, he invested in a large production piece of equipment that automated this process. The company then developed a product that is assembled, baked, and then quick-frozen. With the success of the Thaw and Sell line of filled cookies, Marketing Director Patty Shaw convinced a group of key customers to buy Shirley's line of no-baked cookie rather than from a national competitor. Throughout this growth period, the company continued to operate from its original 2,500 sq. ft. location, a 500 sq. ft. office trailer, and lease 10,000 sq. ft. of cold storage. However, the new business booked by Ms. Shaw necessitated a larger production facility.

Zane and Patty worked with ABCD Corp. and First National Bank to develop a financing proposal to purchase an existing 32,500 sq. ft. building in the William W. Ward Industrial Park in Claysburg in Southern Blair County and acquire additional production equipment. The total project cost is approximately \$1.1 million and is being financed by First National Bank, the SBA 504 loan program, the Pennsylvania Small Business First Fund, a USDA IRP loan, and company equity. Completion of

the project will result in the creation of ten new jobs to the existing 24 person workforce. Al Jones, District Director for the SBA Pittsburgh Office, attended the event. "I always enjoy coming to Blair County to take part in these type of media events and enjoy working with groups like the ABCD Corp. and Southern Alleghenies Planning and Development Commission, to help foster economic development growth in Central PA," said Al Jones.

Shirley's Cookies currently deals with approximately 10 major accounts including Sheetz, Wal-Mart/Sam's Clubs, Giant Foods, Fleming Foods, Weis Markets, Stop N Shop (New England), Stop & Shop (up state New York), and major food distributors. Currently, the business serves six Wal-Mart warehouses and seven Sam's Clubs warehouses. "Shirley's has been experiencing significant demand for their great tasting product over the past several years, and we were pleased to be able to match them with one of our available buildings to address their expansion plans," said Martin J. Marasco, ABCD Corp. president and CEO. **SBA**



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