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SBA

U.S. Small Business Administration

SMALL BUSINESS RESOURCE

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SMALL BUSINESS

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"Everything you need to know about setting up, marketing and managing the revenue of your business."

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FROM THE ADMINISTRATOR

Over the past two years, I've met dozens of entrepreneurs who used the tools in this guide – information on capital, contracts, counseling, and more – to build their companies and create thousands of good jobs. You can read similar success stories in the back of this issue as part of the SBA 100, which we rolled out in August.

Since the credit crisis hit in 2008, the SBA has supported over $50 billion in lending to small businesses through programs like 7(a) and 504, our top two loan programs. During that same time, SBA counselors have helped more than 2 million entrepreneurs and small business owners through networks such as our Small Business Development Centers, Women's Business Centers, and our SCORE volunteers. And, we've helped deliver nearly $100 billion each year in federal contracts into the hands of small business owners.

Today, we continue to empower America's job creators with highly-targeted programs and initiatives aimed at helping both Main Street small businesses and high-growth small firms. This work is crucial, because half of working Americans own or work for a small business, and two of every three new jobs are created by small businesses.

In addition to the great information in this guide, check out our online tools. For example, at www.sba.gov/direct you can type in your zip code and a few details about yourself and your business, and you'll immediately get information on SBA resources and contacts in your local area. Also, you can quickly get local permit and licensing information for various types of businesses at www.sba.gov/permits.

America's small businesses are gearing up to expand and hire once again. Our commitment at SBA and throughout the Obama Administration is to make sure they have the tools they need to stay on that path. Please feel free to contact your local SBA office if you have any questions. We stand ready to help in whatever way we can.

Warm regards,

Karen G. Mills

Karen G. Mills
Administrator
Small Business Administration

About the SBA

www.sba.gov

Your Small Business Resource

Every year, 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 compete effectively in the marketplace and strengthen the overall U.S. economy.

SBA offers help in the following areas:

- *Counseling*
- *Capital*
- *Contracting*
- *Disaster Assistance*
- *Advocacy and the Ombudsman*

Visit SBA online at www.sba.gov for 24/7 access to small business news, information and training for entrepreneurs.

All SBA programs and services are provided on a nondiscriminatory basis.

FROM THE REGIONAL ADMINISTRATOR

Regional Administrator for SBA's Region VI

The U.S. Small Business Administration is helping America's entrepreneurs and small businesses throughout the U.S. We know that small businesses are critical to the strength of our economy. SBA is taking an active role to help entrepreneurs and small business owners to start-up, grow and compete globally.

SBA plays an important part in the success of small businesses by providing access to capital, counseling, technical assistance, federal contracting opportunities and exporting assistance.

Small businesses have created 67 percent of private sector jobs over the past 17 years. And, it is our entrepreneurs and small business owners that will drive America's ability to innovate, stay competitive across the globe and win the future.

SBA always talks about our three Cs – capital, contracting and counseling and how we are helping entrepreneurs and small business owners. This Resource Guide provides information on all of SBA programs and services available to them.

The Recovery Act and the Small Business Jobs Act signed into law by President Obama has provided entrepreneurs and small business owners with greater access to capital. In fact through key loan enhancements, SBA supported $42 billion in lending and helped thousands of small businesses during a time when traditional credit was frozen. And, the support from the lending community has been tremendous in helping us provide capital to small businesses for our five states representing Region VI.

The SBA wants to make sure small businesses know how to do business with the federal government. And, because of the 19 provisions contained in the Jobs Act, there are greater opportunities for selling your products and services to the government which was implemented by President Obama.

SBA has a network of counselors dedicated to supporting the small business communities: Small Business Development Centers, Women Business Centers, SCORE and Veterans Business Outreach Centers. The Jobs Act provided grants to Small Business Development Centers to fund counseling projects in areas such as exporting to help small businesses start or strengthen their exporting.

We are confident that the tools and resources SBA has to offer will help entrepreneurs and small business owners throughout the country. Contact your local SBA district office with any additional questions or visit SBA's redesigned Web site: www.sba.gov. Also, you can now follow SBA on Facebook and Twitter.

Warmest Regards,

Yolanda Garcia Olivarez
Regional Administrator
Small Business Administration

OVER FIFTY PERCENT OF THE NATION'S SMALL BUSINESSES ARE HOME-BASED

Doesn't that sound nice?

Start small.

With over 17,000 resource listings across the country, we provide you with door-to-door directions to lenders, training, and support that will help you start your own small business.

SmallBusiness3

www.smallbusiness3.com

LUBBOCK

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www.sba.gov/about-offices-content/2/3152

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Empowering Entrepreneurs

"What you don't know, that you don't know, is the challenge – Knowledge is indeed Power." Calvin Davis

The United States Small Business Administration (SBA) offers opportunities to existing and aspiring entrepreneurs to start, develop, build, finance, and grow their own small businesses. The Lubbock – West Texas District Office of SBA presents this resource guide to provide information, and to hopefully answer questions regarding many of the programs and services available within our 71 county, West Texas (Lubbock District) area and throughout the nation. This information is intended to "point you in the proper direction" in your quest to gain information and to ultimately become successful in establishing and developing your small business.

Working in conjunction with our resource partners: Small Business Development Centers (SBDCs); SCORE Counselors to America's Small Business; Certified Development Companies; SBA bankers; chambers of commerce; and, state and local economic development agencies, it is our intent to provide you with the information and support needed to assist you in becoming the best that you can be in the entrepreneurial world.

Please take advantage of the services provided by our partners. These partners provide individuals and small businesses with assistance in business planning, business counseling, marketing, procurement, exporting as well as in many other areas that present challenges to existing and prospective business owners. After obtaining key contact information that is available in the following pages, it will be incumbent upon you to be persistent in following-up and following-through in reaching out and obtaining additional information and hands-on assistance that is typically needed to become successful as an entrepreneur.

We wish you the very best, and a world of success, in your entrepreneurial endeavors. And remember that empowerment is derived through knowledge.

Sincerely,

Calvin Orlando Davis
District Director of
SBA's Lubbock - West Texas District Office

Lubbock District Office Counties Served (71):

Armstrong	Ector	Kent	Runnels	Ward
Andrews	Fisher	King	Roberts	Wheeler
Bailey	Floyd	Knox	Scurry	Winkler
Borden	Foard	Lamb	Sherman	Yoakum
Briscoe	Gaines	Lipscomb	Sterling	
Carson	Garza	Lubbock	Stonewall	
Castro	Gray	Lynn	Swisher	
Childress	Glasscock	Martin	Taylor	
Cochran	Hale	Midland	Terry	
Coke	Hall	Mitchell	Upton	
Collingsworth	Hansford	Moore		
Cottle	Hardeman	Motley		
Crane	Hartley	Nolan		
Crosby	Haskell	Ochiltree		
Dallam	Hemphill	Oldham		
Dawson	Hockley	Parmer		
Deaf Smith	Howard	Potter		
Dickens	Hutchinson	Randall		
Donley	Jones	Reagan		

Doing Business in Lubbock

The SBA helps business owners grow and expand their businesses every day.

THE LUBBOCK DISTRICT OFFICE

The Lubbock District Office is responsible for the delivery of SBA's many programs and services. The District Office is located at 1205 Texas Avenue, Room 408, Lubbock, TX. Office hours are from 8:00 AM until 4:30 PM, Monday through Friday.

CONTACTING THE LUBBOCK DISTRICT OFFICE

For program and service information, please contact Kim Hobgood at the Marketing Division 806-472-7462 ext. 108 or e-mail: Kimberly.hobgood@sba.gov. For information on financing, please contact Armando Garcia at 806-472-7462 ext. 104 or e-mail: armando.garcia@sba.gov.

SERVICES AVAILABLE

Financial assistance for new or existing businesses through guaranteed loans made by area banks and non-bank lenders.

Special loan programs are available for businesses involved in international trade.

A Veterans Business Development Officer is available to assist veterans. Please contact Armando Garcia, Veterans Business Development Officer at 806-472-7462 ext. 104 or e-mail: armando.garcia@sba.gov.

Free counseling, advice and information on starting a small business, operating or expanding a small business are available through SCORE (Counselors to America's Small Business, Small Business Develop-ment Centers (SBDC) and Women's Business Centers (WBC). They also conduct training events throughout the district - some require a nominal registration fee.

Assistance to businesses owned and controlled by socially and economically disadvantaged individuals through the Business Development Program.

A Women's Business Ownership Representative is available to assist women business owners. Please contact Josie Salinas at 806-472-7462 ext. 106 or e-mail: josie.salinas@sba.gov.

SUCCESS STORY

Karen Day
Specialized Therapy Services

2011 Small Business Person of the Year

Karen Day the owner of Specialized Therapy Services (STS) was named the 2011 Small Business Person of the Year for the Lubbock District Office. Located in Amarillo, Texas, STS is a multi-faceted, innovative program where children with special needs, siblings, and families can thrive. Establish in 2002, STS in the business of providing state of the art physical, occupational and speech therapy for individuals from birth to 21 years. Karen came to the West Texas A&M Small Business Development Center where she attended the Entrepreneur Alliance Business Boot Camp Business Coaching. She continues to be involved in the numerous workshops and seminars that the Amarillo SBDC provides.

Through providing the very best of therapy services and support to families, STS has developed a school where children and their families receives services from the highest quality special education teachers and their support staff, social-emotional wellness and support from social work and therapists who with children in the school and children in the clinical setting.

As the awareness of STS services spread, the business grew. STS is best known for the high quality of special needs therapy and services that it provides. STS has become a recognized business in the Amarillo community receiving the Chamber of Commerce top Small Business for 2010, top Employer by Amarillo Chapter of Texas Business Women's Association and is a finalist in Inner City Top 100. STS continues to be excited about its contributions to its clients, the business community and its love of the community at large.

Battery Solutions, Inc.

Battery Solutions Incorporated began its operations as single store in 2000 that has now blossomed into multiple outlets. They received business counseling from the Small Business Development Center in Lubbock and also a 7(a) loan from the Small Business Administration which has been paid in full for quite some time.

The company has a wholesale outlet that is joined by two Battery Joe retail stores in Lubbock along with a recently added Battery Joe store in Amarillo. Battery Solutions/Battery Joe touts its store as "your every battery connection" supplying its customers with every type of battery need from cell phones to motor vehicle batteries.

A family-owned business, Battery Solutions Inc started out as a simple five-person warehouse operation. The Gafford family supplied customers with automotive batteries in an industrial location on the outskirts of town. Mother, father and son grew the company as they heeded the wishes of their clients.

In response to a growing customer demand and a dedication to achieve 100% customer satisfaction, the company extended their product range to include batteries for cell phones, laptops and essentially any device or piece of equipment that required a battery. That customer-centric responsiveness materialized into a retail location that was soon followed by a second retail outlet convenient to its expanding city-wide clientele.

Margaret's business seems to show no signs of slowing down. From warehouse sales to retail stores, the Gafford family continues to "find the customers" as they expand their operation into the government sector. In 2004, Battery Solutions Inc. was awarded a contract for the sale of automotive and industrial batteries to all State government agencies. Because of their responsiveness and excellent customer support, that contract has been extended each year since.

The Battery Solutions story is a testimony to the tireless work ethic and customer-driven focus that embodies the characteristics of a successful business.

COUNSELING

Getting Help to Start Up, Market and Manage Your Business

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

Whether your target market is global or just your neighborhood, the SBA and its resource partners can help at every stage of turning your entrepreneurial dream into a thriving business.

If you're just starting, the SBA and its resources can help you with loans and business management skills. If you're already in business, you can use the SBA's resources to help manage and expand your business, obtain government contracts, recover from disaster, find foreign markets, and make your voice heard in the federal government.

You can access SBA information online 24 hours a day at www.sba.gov or visit one of our local offices for assistance.

SBA'S RESOURCE PARTNERS

In addition to our district offices which serve every state and territory, SBA works with a variety of local resource partners to meet your small business needs. These professionals can help with writing a formal business plan, locating sources of financial assistance, managing and expanding your business, finding opportunities to sell your goods or services to the government, and recovering from disaster. To find your local district office or SBA resource partner, visit **www.sba.gov/sba-direct**.

SCORE

SCORE is a national network of nearly14,000 entrepreneurs, business leaders and executives who volunteer as mentors to America's small businesses. SCORE has helped more than 8.5 million entrepreneurs nationwide by leveraging decades of expertise from seasoned business professionals to help entrepreneurs start businesses, grow companies and create jobs in local communities.

With more than 370 offices throughout the country, SCORE matches you with a mentor whose personality, experience, and skills are a good fit for your business needs. Whether you are a start-up business or growing company, SCORE mentors offer free and confidential advice. As members of your community, SCORE mentors understand local business licensing rules, economic conditions and lending standards. SCORE also offers local small business workshops at modest fees on popular topics such as increasing sales, managing cash flow and marketing your business.

You can count on SCORE as a trusted resource to offer in-depth mentoring, sound advice and guidance, and tools and resources that can help you succeed as a business owner. In fiscal year 2010, SCORE served over 400,000 clients through individual counseling, workshops and online sessions by leveraging the expertise and experience of nearly 14,000 business mentors. For 24/7 access to advice and online webinars on topics such as starting, growing, marketing and e-commerce for small business, visit SCORE online at **www.score.org** or call 1-800-624-0245 for the office nearest you.

Don Schenkel, Chapter Chair
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SMALL BUSINESS DEVELOPMENT CENTERS

The Small Business Development Center (SBDC) program has been vital to SBA's entrepreneurial outreach for more than 30 years. It has become one of the largest professional small business management and technical assistance networks in the nation. With nearly 900 locations across the country, SBDCs offer free one-on-one expert business advice and low-cost training by qualified small business professionals to existing and future entrepreneurs.

The SBDC program includes special focus areas such as, green business technology, disaster recovery and preparedness, import and export assistance, veterans assistance, electronic commerce, technology transfer and regulatory compliance. A number of SBDC networks have specialized programs or centers dedicated to these focus areas.

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.
- Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- Earnings and growth potential are unlimited.
- Running a business will provide endless variety, challenges and opportunities to learn.

During the past thirty years, through a unique mix of federal, state and private sector resources, the SBDC program has increased its return on investment. Through federal grants, SBDCs in every state and territory provide the foundation for the economic growth of small businesses. These small businesses, in turn, advance local and regional economic development through the generation of business revenues, job creation and job retention. This return on investment is demonstrated by fiscal 2010 outcomes, where SBDCs:

- Assisted more than 13,600 entrepreneurs to start new businesses – an estimated 37 new business starts per day.
- Provided counseling services to over 107,000 emerging entrepreneurs and nearly 102,000 existing businesses.
- Provided training services to approximately 380,000 clients.

The efficacy of the SBDC program has been validated by a nationwide impact study. Of the clients surveyed, more than 80 percent reported that the business assistance they received from the SBDC counselor was worthwhile. Similarly, more than 50 percent reported that SBDC guidance was beneficial in making the decision to start a business. More than 40 percent of long-term clients, those receiving 5 hours or more of counseling, reported an increase in sales and 38 percent reported an increase in profit margins.

For information on the SBDC program, visit **www.sba.gov/sbdc**.

Northwest Texas Small Business Development Center Offices:

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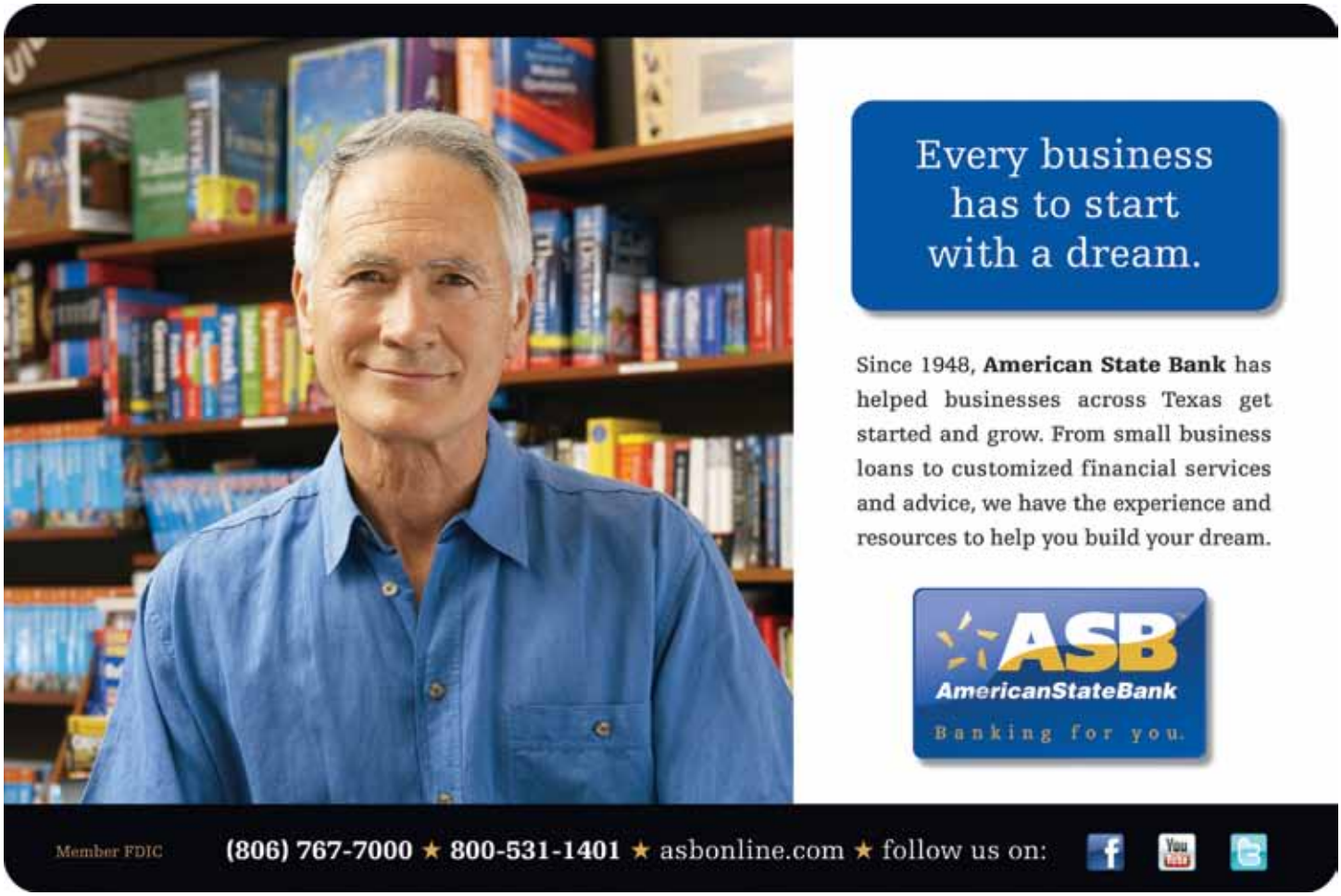

WOMEN'S BUSINESS CENTERS

The SBA's Women Business Center (WBC) program is a network of approximately 110 community-based centers which provide business training, coaching, mentoring and other assistance geared toward women, particularly those who are socially and economically disadvantaged. WBCs are located in nearly every state and U.S. territory and are partially funded through a cooperative agreement with the SBA.

To meet the needs of women entrepreneurs, WBCs offer services at convenient times and locations, including weekends. Most WBCs are located at non-profit host organizations that offer a wide variety of services in addition to the services provided by the WBC. Many of the WBCs also offer training and counseling and provide materials in different languages in order to meet the diverse needs of the communities they serve.

WBCs often deliver their services through long term training or group counseling, both of which have shown to be effective. WBC training courses are often free or are offered at a small fee. Some centers will also offer scholarships based on the client's needs

While most WBCs are physically located in one designated location, a number of WBCs also provide courses and counseling via the Internet, mobile classrooms and satellite locations.

WBCs have a track record of success. In fiscal year 2010, the WBC program counseled and trained more than 160,000 clients, creating local economic growth and vitality. Of the WBC clients that have received 3 or more hours of counseling, 15 percent indicated that the services led to hiring new staff, 34 percent indicated that the services led to an increased profit margin, and 47 percent indicated that the services led to an increase in sales.

In addition, the WBC program has taken a lead in preparing women business owners to apply for the Women-Owned Small Business (WOSB) Federal Contract program that authorizes contracting officers to set aside certain federal contracts for eligible women-owned small businesses or economically disadvantaged women-owned small businesses. For more information on the program, visit **www.sba.gov/wosb**.

To find the nearest SBA WBC, visit **www.sba.gov/women**.

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www.ephcc.org

EMERGING LEADERS

SBA's Emerging Leaders initiative is currently hosted in 27 markets across the country using a national demonstrated research-based curriculum that supports the growth and development of small firms that have substantial potential for expansion and community impact. A competitive selection process results in firm executives participating in high-level training and peer-networking sessions led by professional instructors and local economic development organizations. Post-training, social and economic impact results from responding executives who attended the 2008 – 2010 training classes indicate:

- More than half of participating businesses reported an increase in revenue, with an average revenue of $1,879,266.
- Participating businesses averaged $2 million in revenue, with new cumulative financing of $7.2 million secured in 2010.
- Nearly half of the participants secured federal, state, local and tribal contracts with a cumulative total of $287 million.
- Approximately half of the participants have hired new workers, creating 275 new jobs in 2010.
- All participants were introduced and trained on becoming SBA 8(a) certified firms; nearly 25 percent of respondents are currently certified as SBA 8(a) firms, while other participants reported a focused intention on applying to the 8(a) program.
- Nearly 50 percent of participating respondents were female executives and 70 percent were minority business executives.
- 85 percent of responding executives were Satisfied or Very Satisfied with the overall training series and results.

To find out more about this executive-level training opportunity, please visit **www.sba.gov/e200** for host cities, training schedules, and selection criteria.

SBA'S ONLINE TOOLS AND TRAINING

SBA's Small Business Training Network is a virtual campus complete with free online courses, workshops, podcasts, learning tools and business-readiness assessments.

Key Features of the Small Business Training Network:

Training is available anytime and anywhere—all you need is a computer with Internet access.

- More than 30 free online courses and workshops available.
- Templates and samples to get your business planning underway.
- Online, interactive assessment tools are featured and used to direct clients to appropriate training.

Course topics include a financial primer keyed around SBA's loan-guarantee programs, a course on exporting, and courses for veterans and women seeking federal contracting opportunities, as well as an online library of podcasts, business publications, templates and articles.

Find these free resources at **www.sba.gov/training**.

REACHING UNDERSERVED COMMUNITIES

SBA also offers a number of programs specifically designed to meet the needs in the underserved communities.

WOMEN BUSINESS OWNERS

Women entrepreneurs are changing the face of America's economy. In the 1970s, women owned less than five percent of the nation's businesses.

Today, they are majority owners of about a third of the nation's small businesses and are at least equal owners of about half of all small businesses. SBA serves women entrepreneurs nationwide through its various programs and services, some of which are designed especially for women.

The SBA's Office of Women's Business Ownership (OWBO) serves as an advocate for women-owned businesses. OWBO oversees a nationwide network of 110 women's business centers that provide business training, counseling and mentoring geared specifically to women, especially those who are socially and economically disadvantaged. The program is a public-private partnership with locally-based nonprofits.

Women's Business Centers serve a wide variety of geographic areas, population densities, and economic environments, including urban, suburban, and rural. Local economies vary from depressed to thriving, and range from metropolitan areas to entire states. Each Women's Business Center tailors its services to the needs of its individual community, but all offer a variety of innovative programs, often including courses in different languages. They provide training in finance, management, marketing, and the Internet, as well as access to all of the SBA's financial and procurement assistance programs.

CENTER FOR FAITH-BASED AND NEIGHORHOOD PARTNERSHIPS

Faith-based and Neighborhood Partnerships know their communities, and they have earned their people's trust. Because of their credibility, they are uniquely positioned to build awareness of programs that encourage entrepreneurship, economic growth and job creation.

SBA is committed to reaching out to faith based and community organizations that are eligible to participate in the agency's programs by informing their congregants, members and neighbors about SBA's programs. In particular, many faith-based and community non-profit organizations can provide a local financing option for entrepreneurs by becoming SBA Microloan Intermediaries. An SBA Microloan Intermediary often acts as a bank for entrepreneurs and small businesses that might otherwise be unable to find access to capital.

VETERANS AND RESERVISTS BUSINESS DEVELOPMENT

To ensure that veterans, service-disabled veterans and Reserve and National Guard member entrepreneurs receive special consideration in all of SBA's entrepreneurial programs and resources, the SBA has established an Office of Veterans Business Development (OVBD). Each year, OVBD reaches thousands of veterans, Reserve Component members, transitioning service members and others who are – or who want to become – entrepreneurs and small business owners. OVBD develops and distributes informational materials for entrepreneurship such as the Veterans Business Resource Guide, VETGazette, and Getting Veterans Back to Work. In addition, there are 16 Veterans Business Outreach Centers strategically located throughout the country that provide both online and in-person training, counseling, mentoring, workshops, referrals, and more. Each of the SBA's 68 District Offices also has a designated veteran's business development officer.

The SBA offers special assistance for small businesses owned by activated Reserve and National Guard members. Any self-employed Reserve or Guard member with an existing SBA loan can request from their SBA lender or SBA district office loan payment deferrals, interest rate reductions and other relief after they receive their activation orders. In addition, the SBA offers special low-interest-rate financing to small businesses when an owner or essential employee is called to active duty. The Military Reservist Economic Injury Disaster Loan Program (MREIDL) provides loans up to $2 million to eligible small businesses to cover operating costs that cannot be met due to the loss of an essential employee called to active duty in the Reserves or National Guard.

Among the SBA's unique services for veterans are: an Entrepreneurship Boot Camp for Veterans with Disabilities in partnership with 6 top U.S. universities (**www.whitman.syr.edu/ebv**), a program to reach women veteran-entrepreneurs (**www.syr.edu/vwise**), and a program for Reserve Component family members called Operation Endure and Grow (**www.whitman.syr.edu/endureandgrow**).

For more information about small business lending programs for veteran business owners and Reserve or Guard members who are activated, including Patriot Express, microloans, and Advantage loans, see the section on Access to Capital. To learn more about the Veterans Business Outreach program or find the nearest SBA VBOC, visit the SBA Web site at **www.sba.gov/vets**.

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NATIVE AMERICAN BUSINESS DEVELOPMENT

The SBA Office of Native American Affairs (ONAA) ensures American Indians, Alaska Natives and Native Hawaiians seeking to create, develop and expand small businesses have full access to the necessary business development and expansion tools available through the agency's entrepreneurial development, lending, and contracting programs. ONAA provides a network of training (including the online tool "Small Business Primer: Strategies for Growth") and counseling services and engages in numerous outreach activities, such as tribal consultations, development and distribution of educational materials, attendance and participation in economic development events and assisting these small businesses with SBA programs.

More information is at **www.sba.gov/naa**.

ARE YOU RIGHT FOR SMALL BUSINESS OWNERSHIP?

Most new business owners who succeed have planned for every phase of their success. Thomas Edison, the great American inventor, once said, "Genius is 1 percent inspiration and 99 percent perspiration." That same philosophy also applies to starting a business.

First, you'll need to generate a little bit of perspiration deciding whether you're the right type of person to start your own business.

IS ENTREPRENEURSHIP FOR YOU?

There is simply no way to eliminate all the risks associated with starting a small business, but you can improve your chances of success with good planning, preparation, and insight. Start by evaluating your strengths and weaknesses as a potential owner and manager of a small business. Carefully consider each of the following questions:

- **Are you a self-starter?** It will be entirely up to 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, employees, and professionals such as lawyers, accountants, or consultants. Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it?
- **How good are you at making decisions?** Small business owners are required to make decisions constantly – often quickly, independently, and under pressure.
- **Do you have the physical and emotional stamina to run a business?** Business ownership can be exciting, but it's also a lot of work. Can you face six or seven 12–hour workdays every week?
- **How well do you plan and organize?** Research indicates that poor planning is responsible for most business failures. Good organization — of financials, inventory, schedules, and production — can help you avoid many pitfalls.
- **Is your drive strong enough?** Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.
- **How will the business affect your family?** The first few years of business start-up can be hard on family life. It's important for family members to know what to expect and for you to be able to trust that they will support you during this time. 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.

Once you've answered those questions, you should consider what type of business you want to start. Businesses can include franchises, at-home businesses, online businesses, brick-and-mortar stores or any combination of those.

FRANCHISING

There are more than 3,000 business franchises. The challenge is to decide on one that both interests you and is a good investment. Many franchising experts suggest that you comparison shop by looking at multiple franchise opportunities before deciding on the one that's right for you.

Some of the things you should look at when evaluating a franchise: historical profitability, effective financial management and other controls, a good image, integrity and commitment, and a successful industry.

In the simplest form of franchising, while you own the business, its operation is governed by the terms of the franchise agreement. For many, this is the chief benefit for franchising. You are able to capitalize on a business format, trade name, trademark and/or support system provided by the franchisor. But you operate as an independent contractor with the ability to make a profit or sustain a loss commensurate with your ownership.

If you are concerned about starting an independent business venture, then franchising may be an option for you. Remember that hard work, dedication and sacrifice are key elements in the success of any business venture, including a franchise.

For more information visit **www.sba.gov/franchise**.

HOME-BASED BUSINESSES

Going to work used to mean traveling from home to a plant, store or office. Today, many people do some or all their work at home.

Getting Started

Before diving headfirst into a home-based business, you must know why you are doing it. To succeed, your business must be based on something greater than a desire to be your own boss. You must plan and make improvements and adjustments along the road.

Working under the same roof where your family lives may not prove to be as easy as it seems. One suggestion is to set up a separate office in your home to create a professional environment.

Ask yourself these questions:

- Can I switch from home responsibilities to business work easily?
- Do I have the self-discipline to maintain schedules while at home?
- Can I deal with the isolation of working from home?

Legal Requirements

A home-based business is subject to many of the same laws and regulations affecting other businesses.

Some general areas include:

- **Zoning regulations.** If your business operates in violation of them, you could be fined or shut down.
- **Product restrictions.** Certain products cannot be produced in the home. Most states outlaw home production of fireworks, drugs, poisons, explosives, sanitary or medical products and toys. Some states also prohibit home-based businesses from making food, drink or clothing.

Be sure to consult an attorney and your local and state departments of state, labor and health to find out which laws and regulations will affect your business. Additionally, check on registration and accounting requirements needed to open your home-based business. You may need a work certificate or license from the state. Your business name may need to be registered with the state. A separate business telephone and bank account are good business practices.

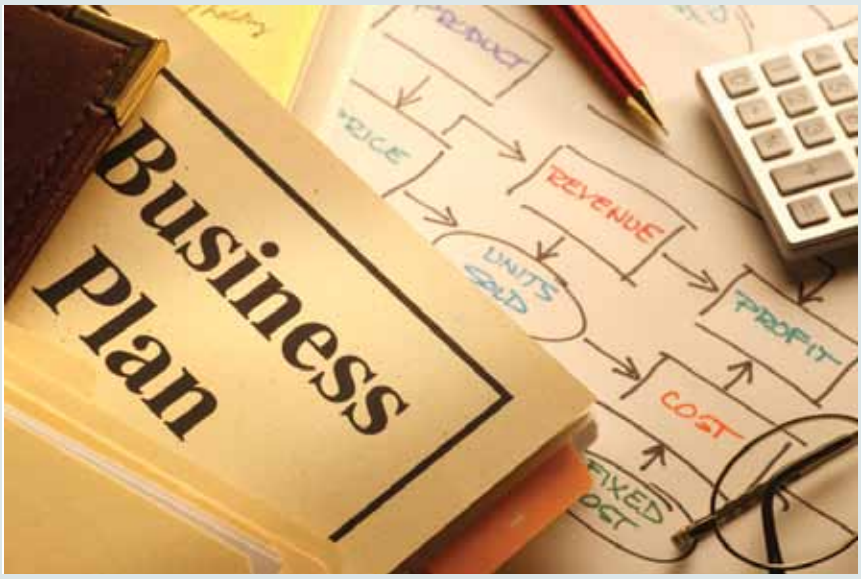
Also remember, if you have employees you are responsible for withholding income and social-security taxes, and for complying with minimum wage and employee health and safety laws.

WRITING A BUSINESS PLAN

After you've thought about what type of business you want, the next step is to develop a business plan. Think of the business plan as a roadmap with milestones for the business. It begins as a pre-assessment tool to determine profitability and market share, then expands as an in-business assessment tool to determine success, obtain financing and determine repayment ability, among other factors.

Creating a comprehensive business plan can be a long process, and you need good advice. The SBA and its resource partners, including Small Business Development Centers, Women's Business Centers, Veterans Business Outreach Centers, and SCORE, have the expertise to help you craft a winning business plan. SBA also offers online templates to get you started.

In general, a good business plan contains:



Introduction

- Give a detailed description of the business and its goals.
- Discuss ownership of the business and its legal structure.
- List the skills and experience you bring to the business.
- Discuss the advantages you and your business have over competitors.

Marketing

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

Financial Management

- Develop 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 addressing alternative approaches to potential problems.

Operations

- Explain how the business will be managed day-to-day.
- 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 goods 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 and professional business counselor like SCORE, WBC or SBDC representatives, SBA district office business development specialists or veterans business development specialists.

Remember, the business plan is a flexible document that should change as your business grows.

CAPITAL

Financing Options to Start or Grow Your Business

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.

This section of the Small Business Resource guide discusses SBA's primary business loan and equity financing programs. These are: the 7(a) Loan Program, the Certified Development Company or 504 Loan Program, the Microloan Program and the Small Business Investment Company Program. The distinguishing features for these programs are the total dollar amounts that can be borrowed, the type of lenders who can provide these loans, the uses for the loan proceeds, and the terms placed on the borrower.

Note: The SBA does not offer grants to individual business owners to start or grow a business.

SBA BUSINESS LOANS

If you are contemplating a business loan, familiarize yourself with the SBA's business loan programs to see if they may be a viable option. Keep in mind the dollar amount you seek to borrow and how you want to use the loan proceeds. The three principal players in most of these programs are the applicant small business, the lender and the SBA. SBA guarantees a portion of the loan (except for Microloans). The business should have its business plan prepared before it applies for a loan. This plan should explain what resources will be needed to accomplish the desired business purpose including the associated costs, 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.

The lender will analyze the application to see if it meets the lender's criteria and SBA's 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. In the case of microlenders SBA loans these intermediaries funds at favorable rates to re-lend to businesses with financing needs up to $50,000. The SBA's business loan programs provide a key source of financing for viable small businesses that have real potential but cannot qualify for ong-term, stable financing.

7(a) LOAN PROGRAM

The 7(a) Loan program is the SBA's primary business loan program. It is the agency's most frequently used non-disaster financial assistance program because of its flexibility in loan structure, variety of loan proceed uses, and availability. The program has broad eligibility requirements and credit criteria to accommodate a wide range of financing needs.

The business loans that SBA guarantees do not come from the agency, but rather from banks and other approved lenders. The loans are funded by these organizations, and they make the decisions to approve or not approve the applicants' requests.

The SBA guaranty reduces the lender's risk of borrower non-payment. If the borrower defaults, the lender can request SBA to pay the lender that percentage of the outstanding balance guaranteed by SBA. This allows the lender to recover a portion from SBA of what it lent if the borrower can't make the payments. The borrower is still obligated for the full amount.

To qualify for an SBA loan, a small business must meet the lender's criteria and the 7(a) requirements. In addition, the lender must certify that it would not provide this loan under the proposed terms and conditions unless it can obtain an SBA guaranty. If the SBA is going to provide a lender with a guaranty, the applicant must be eligible and creditworthy and the loan structured under conditions acceptable to SBA.

Percentage of Guaranties and Loan Maximums

The SBA only guarantees a portion of any particular loan so each loan will also have an unguaranteed portion, giving the lender a certain amount of exposure and risk on each loan. The percentage SBA guarantees depends on either the dollar amount or the program the lender uses to obtain its guaranty. For loans of $150,000 or less the SBA may guaranty as much as 85 percent and for loans over $150,000 the SBA can provide a guaranty of up to 75 percent.

The maximum 7(a) loan amount is $5 million. (Loans made under the SBAExpress program, which is discussed later in this section, have a 50 percent guaranty.)

Interest Rates and Fees

The actual interest rate for a 7(a) loan guaranteed by SBA is negotiated between the applicant and lender and subject to SBA maximums. Both fixed and variable interest rate structures are available. The maximum rate is comprised of two parts, a base rate and an allowable spread. There are three acceptable base rates (Wall Street Journal Prime*, London Interbank One Month Prime plus 3 percent, and an SBA Peg Rate). Lenders are allowed to add an additional spread to the base rate to arrive at the final rate. For loans with maturities of less than seven years, the maximum spread will be no

more than 2.25 percent. For loans with maturities of seven years or more, the maximum spread will be 2.75 percent. The spread on loans under $50,000 and loans processed through Express procedures may be higher.

Loans guaranteed by SBA are assessed a guaranty fee. This fee is based on the loan's maturity and the dollar amount guaranteed, not the total loan amount. The guaranty fee is generally paid by the borrower and can be included in the loan proceeds.

On any loan with a maturity of one year or less, the fee is just 0.25 percent of the guaranteed portion of the loan. On loans with maturities of more than one year, the normal guaranty fee is 2 percent of the SBA guaranteed portion on loans up to $150,000; 3 percent on loans over $150,000 but not more than $700,000; and 3.5 percent on loans over $700,000. There is also an additional fee of 0.25 percent on any guaranteed portion over $1 million.

**** All references to the prime rate refer to the base rate in effect on the first business day of the month the loan application is received by SBA.***

7(a) 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: 25 years for real estate; up to 10 years for equipment (depending on the useful life of the equipment); and generally up to seven years for working capital. Short-term loans and revolving lines of credit are also available through the SBA to help small businesses meet their short-term and cyclical working capital needs.

Structure

Most 7(a) 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. Applicants can request that the lender establish the loan with interest-only payments during the start-up and expansion phases (when eligible) to allow the business time to generate income before it starts making full loan payments. Balloon payments or call provisions are not 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.

Collateral

The SBA expects every 7(a) loan to be fully secured, but the SBA will not decline a request to guaranty a loan if the only unfavorable factor is insufficient collateral, provided all available collateral is offered. What these two policies mean is that every SBA loan is to be secured by all available assets (both business and personal) until the recovery value equals the loan amount or until all assets have been pledged to the extent that they are reasonably available. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required.

Eligibility

7(a) loan eligibility is based on four different factors. The first is size, as all loan recipients must be classified as "small" by SBA. The basic size standards are outlined below. A more in-depth listing of standards can be found at www.sba.gov/size.

SBA Size Standards:

- Manufacturing — from 500 to no more than 1,500 employees
- Wholesaling — No more than 100 employees
- Services — from $4.5 million to no more than $35.5 million in average annual receipts
- Retailing — from $7 million to no more than $35.5 million in average annual receipts
- General construction — from $7 million to no more than $33.5 million in average annual receipts
- Agriculture — from $750,000 to no more than $17.5 million in average annual receipts

There is also an alternate size standard that is based on a net worth ($15 million or less) and average net income ($5 million or less). This new alternate makes more businesses eligible for SBA loans and applies to all SBA non-disaster loan programs.

Nature of Business

The second eligibility factor is based on the nature of the business and the process by which it generates income or the customers it serves. The SBA has general prohibitions against providing financial assistance to businesses involved in such activities as lending, speculating, passive investment, pyramid sales, loan packaging, presenting live performances of a prurient sexual nature, businesses involved in gambling and any illegal activity.

The SBA also cannot offer loan guaranties to non-profit businesses, private clubs that limit membership on a basis other than capacity, businesses that promote a religion, businesses owned by individuals incarcerated or on probation or parole, municipalities, and situations where the business or its owners previously failed to repay a federal loan or federally assisted financing.

Use of Proceeds

The third eligibility factor is use of proceeds. 7(a) proceeds can be used to: purchase machinery; equipment; fixtures; supplies; make leasehold improvements; as well as land and/or buildings that will be occupied by the business borrower.

Proceeds can also be used to:

- Expand or renovate facilities;
- Acquire machinery, equipment, furniture, fixtures and leasehold improvements;
- Finance receivables and augment working capital;
- Finance seasonal lines of credit;
- Acquire businesses;
- Start up businesses;
- Construct commercial buildings; and
- Refinance existing debt under certain conditions.

SBA 7(a) loan proceeds cannot be used for the purpose of making investments. SBA proceeds cannot be used to provide funds to any of the owners of the business except for ordinary compensation for actual services provided.

Miscellaneous Factors

The fourth factor involves a variety of requirements such as SBA's credit elsewhere test and utilization of personal assets requirements, where the business and its principal owners must use their own resources before getting a loan guaranteed by SBA. It also includes SBA's anti-discrimination rules and restrictions on lending to agricultural enterprises because there are other agencies of the federal government with programs to fund such businesses. Generally, SBA loans must meet the following criteria:

- Every loan must be for a sound business purpose;
- There must be sufficient invested equity in the business so it can operate on a sound financial basis;
- There must be a potential for long-term success;
- The owners must be of good character and reputation; and
- All loans must be so sound as to reasonably assure repayment.

For more information, go to **www.sba.gov/apply**.

What To Take To The Lender

Documentation requirements may vary; contact your lender for the information you must supply.

Common requirements include the following:

- Purpose of the loan
- History of the business
- Financial statements for three years (existing businesses)
- Schedule of term debts (existing businesses)
- Aging of accounts receivable and payable (existing businesses)
- Projected opening-day balance sheet (new businesses)
- Lease details
- Amount of investment in the business by the owner(s)
- Projections of income, expenses and cash flow as well as an explanation of the assumptions used to develop these projections
- Personal financial statements on the principal owners
- Resume(s) of the principal owners and managers.

How the 7(a) Program Works

Applicants submit their loan application to a lender for the initial review. The lender will generally review the credit merits of the request before deciding if they will make the loan themselves or if they will need an SBA guaranty. If a guaranty is needed, the lender will also review eligibility. The applicant should be prepared to complete some additional documents before the lender sends the request for guaranty to the SBA. Applicants who feel they need more help with the process should contact their local SBA district office or one of SBA's resource partners for assistance.

There are several ways a lender can apply for a 7(a) guaranty from SBA. The main differences between these methods are related to the documentation which the lender provides, the amount of review which SBA conducts, the amount of the loan and the lender responsibilities in case the loan defaults and the business' assets must be liquidated. The methods are:

- Standard 7(a) Guaranty
- Certified Lender Program
- Preferred Lender Program
- Rural Lender Advantage
- SBA *Express*
- Patriot Express
- Export Express
- Small Loan Advantage
- Community Advantage

For the Standard, Certified and Preferred methods, the applicant fills out SBA Form 4, and the lender completes SBA Form 4-1. When requests for guarantees are processed using Express or Advantage methods, the applicant uses more of the regular forms of the lender and just has a few federal forms to complete. When SBA receives a request that is processed through Standard or Certified Lender Program procedures, it either reanalyzes or reviews the lender's eligibility and credit analysis before deciding to approve or reject. For requests processed through Preferred Lender Program or Express programs, the lender is delegated the authority to make the credit decision without SBA's concurrences, which helps expedite the processing time.

In guaranteeing the loan, the SBA assures the lender that, in the event the borrower does not repay the loan, the government will reimburse the lending institution for a portion of its loss. By providing this guaranty, the SBA is able to help tens of thousands of small businesses every year get financing they might not otherwise obtain.

After SBA approval, the lender is notified that its loan has been guaranteed. The lender then will work with the applicant to make sure the terms and conditions are met before closing the loan, disbursing the funds, and assuming responsibility for collection and general servicing. The borrower makes monthly loan payments directly to the lender. As with any loan, the borrower is responsible for repaying the full amount of the loan in a timely manner.

What the SBA Looks for:

- Ability to repay the loan on time from the projected operating cash flow;
- Owners and operators who are of good character;
- Feasible business plan;
- Management expertise and commitment necessary for success;
- Sufficient funds, including the SBA guaranteed loan, to operate the business on a sound financial basis (for new businesses, this includes the resources to meet start-up expenses and the initial operating phase);
- Adequate equity invested in the business; and
- Sufficient collateral to secure the loan or all available collateral if the loan cannot be fully secured.

SPECIAL PURPOSE 7(a) LOAN PROGRAMS

The 7(a) program is the most flexible of SBA's lending programs. The agency has created several variations to the basic 7(a) program to address the particular financing need of certain small businesses. These special purpose programs are not necessarily for all businesses but may be very useful to some small businesses. They are generally governed by the same rules, regulations, fees, interest rates, etc. as the regular 7(a) loan guaranty. Lenders can advise you of any variations.

SBA*Express*

The SBA*Express* guaranty is available to lenders as a way to obtain a guaranty on smaller loans up to $350,000. The program authorizes selected, experienced lenders to use mostly their own forms, analysis and procedures to process, service and liquidate SBA-guaranteed loans. The SBA guarantees up to 50 percent of an SBA*Express* loan. Loans under $25,000 do not require collateral. The use of loan proceeds is the same as for any basic 7(a) loan. Like most 7(a) loans, maturities are usually five to seven years for working capital and up to 25 years for real estate or equipment. Revolving lines of credit are allowed for a maximum of seven years.

Patriot Express and Other Lending Programs For Veterans

The Patriot Express pilot loan initiative is for veterans and members of the military community wanting to establish or expand a small business. Eligible military community members include:

- Veterans;
- Service-disabled veterans;
- Active-duty servicemembers eligible for the military's Transition Assistance Program;
- Reservists and National Guard members;
- Current spouses of any of the above, including any servicemember;
- The widowed spouse of a servicemember or veteran who died during service or of a service-connected disability.

The Patriot Express loan is offered by SBA's nationwide network of private lenders and features the fastest turnaround time for loan approvals. Loans are available up to $500,000 and qualify for SBA's maximum guaranty of 85 percent for loans of $150,000 or less and 75 percent for loans over $150,000

up to $500,000. For loans above $350,000, lenders are required to accept all available collateral.

The Patriot Express loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, and inventory or business-occupied real-estate purchases.

Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan. Your local SBA district office will have a listing of Patriot Express lenders in your area. More information is available at **www.sba.gov/patriotexpress**.

Self-employed Reserve or Guard members with an existing SBA loan can request from their SBA lender or SBA district office, loan payment deferrals, interest rate reductions and other relief after they receive their activation orders. The SBA also offers special low-interest-rate financing of up to $2 million when an owner or essential employee is called to active duty through the Military Reservist Economic Injury Disaster Loan program (MREIDL) to help cover operating costs due to the loss of an essential employee called to active duty.

Advantage Loans

In early 2011, SBA rolled out two Advantage loan initiatives aimed at helping entrepreneurs and small business owners in underserved communities gain access to capital. Both offer a streamlined loan application process and the regular 7(a) loan guarantee for loans under $250,000.

The Small Loan Advantage program is available to lenders participating in the Preferred Lenders Program. SBA lenders who are not participating in the Preferred Lenders Program can contact their local district office to apply.

The Community Advantage pilot program opens up 7(a) lending to mission-focused, community-based lenders – such as Community Development Financial Institutions (CDFIs), Certified Development Companies (CDCs), and microlenders – who provide technical assistance and economic development support in underserved markets.

More information on both programs is available at **www.sba.gov/advantage**.

CAPLines

The CAPLines program is designed to help small businesses meet their short-term and cyclical working capital needs. The programs can be used to finance seasonal working capital needs; finance the direct costs of performing certain construction, service and supply contracts; finance the direct cost associated with commercial and residential construction; finance operating capital by obtaining advances against existing inventory and accounts receivable; and consolidate short-term debt. SBA provides up to an 85 percent guarantee. There are five distinct loan programs under the CAPLine umbrella:

- ***The Contract Loan Program*** is used to finance material and labor needs for a specific contract or contracts. Proceeds can be disbursed before the work begins. If used for one contract, it is generally not revolving; if used for more than one contract at a time, it can be revolving. The loan maturity is usually based on the length of the contract, but no more than five years. Contract payment must be sent directly to the lender.
- ***The Seasonal Line of Credit Program*** is used to support buildup of inventory, accounts receivable or labor and materials above normal usage for seasonal inventory. The business must have been in business for a period of 12 months and must have a definite established seasonal pattern. The loan may be used over again after a "clean-up" period of 30 days to finance activity for a new season. These also may have a maturity of up to five years. The business may not have another seasonal line of credit outstanding but may have other lines for non-seasonal working capital needs.
- ***The Builders Line Program*** provides financing for small contractors or developers to construct or rehabilitate residential or commercial property. Loan maturity is generally three years but can be extended up to five years, if necessary, to facilitate sale of the property. Proceeds are used solely for direct expenses of acquisition, immediate construction and/or significant rehabilitation of the residential or commercial structures. The purchase of the land can be included if it does not exceed 20 percent of the loan proceeds. Up to 5 percent of the proceeds can be used for physical improvements that benefit the property.
- ***The Small Asset-Based Line*** is a revolving line of credit (up to $200,000) that provides short term working capital. These lines are generally used by businesses that provide credit to their customers. Disbursements are based on the size of a borrower's accounts receivable and/or inventory. Repayment comes from the collection of accounts receivable or sale of inventory. It does require periodic servicing and monitoring of the collateral for which the lender can charge up to two percent annually to the borrower.
- ***The Standard Asset-Based Line*** is similar to the Small Asset-Based Line, but for loan amounts over $200,000. It does require stricter servicing and monitoring and the lender may pass these costs along to the borrower.

EXPORT ASSISTANCE

The SBA has several programs that help existing small businesses wanting to export goods and services. A brief description of each can be found below.

Export Working Capital Program

The SBA's Export Working Capital program (EWCP) assists lenders in meeting the needs of exporters seeking short-term export working capital. This program enables U.S. exporters to obtain loans to fund their direct export costs. The EWCP supports single transactions or revolving lines of credit. The maximum dollar amount of an export line of credit under this program is $5 million. SBA guarantees up to 90 percent of a loan amount or $ 4.5 million, whichever is less. Loan maturities are generally for a term of 12 months. The guaranty can be reissued for an additional 12 months through a new application process. The guaranty fee the SBA charges is 0.25 percent of the guaranteed amount of the loan for the initial 12 months. The borrower negotiates the interest rate and all other fees with the lender. The program offers flexible terms, low fees and a quick processing time. For information, see **www.sba.gov/exportloans**.

Eligibility of Exporter

You must have a business operating history of at least one year – not necessarily in exporting. The SBA may waive this requirement if you have sufficient export trade experience or other managerial experience.

Eligibility of Foreign Buyers

The foreign buyer must be a creditworthy entity and the methods of payment must be acceptable to the SBA and the export lender.

Use of EWCP Proceeds

- To acquire inventory for export or to be used to manufacture goods for export.
- To pay the manufacturing costs of goods for export.
- To purchase goods or services for export.
- To support standby letters of credit related to export transactions.
- For pre-shipment working capital directly related to export orders.
- For post-shipment foreign accounts receivable financing.

Ineligible Use of Proceeds

- To support the applicant's domestic sales.
- To acquire fixed assets or capital goods for the applicant's business.
- To support a sale where the exporter is not taking title to the goods.
- To acquire, equip, or rent commercial space overseas.
- To serve as a warranty letter of credit.

Collateral Requirements

- Collateral for the manufacturing sector typically consists of a first lien on all export-related inventory and export related accounts receivable.
- Collateral for the service sector typically consists of assignment of proceeds of export-related contracts or purchase orders and a first lien on export-related accounts receivable.
- Other collateral may be required.

How to Apply

A small business exporter seeking a guaranteed EWCP loan must apply to a lender.

International Trade Loan Program

The SBA's International Trade Loan program (ITL) helps small businesses engaged or preparing to engage in international trade as well as small businesses adversely affected by competition from imports. This program allows for a maximum loan amount of $5 million. The international trade loan provides an SBA guarantee up to $ 4.5 million for a term loan used for the acquisition, construction, renovation, modernization, improvement or expansion of long-term fixed assets or the refinancing of an existing loan used for these same purposes. It may also be used for working capital or in conjunction with any SBA working capital loans, including the EWCP. The SBA guaranty fee and interest rates are the same as for any standard 7(a) loans.

Eligibility of Exporter

- Applicants must meet the same eligibility requirements for a 7(a) loan.
- Applicant must establish that the loan will significantly expand or develop an export market, or the applicant has been adversely affected by import competition, and, in addition, the applicant must show that upgrading equipment or facilities will improve its competitive position.
- If eligibility is based on entering or expanding export sales, the applicant must submit a one or two page international business plan, including sufficient information to reasonably support the likelihood of expanded export sales.

Use of Proceeds

- For facilities or equipment, including purchasing land and building(s); building new facilities; renovating, improving, or expanding existing facilities; purchasing or reconditioning machinery, equipment and fixtures; and making other improvements that will be used within the United States for producing goods or services.
- Refinancing a facility/building is also permissible if the original loan on the property could have been refinanced under regular 7(a).

Collateral Requirements

See pg. 15 for collateral requirements.

How to Apply

A small business exporter seeking a guaranteed loan must apply to an SBA participating lender. Call your local SBA District Office for a list of participating lenders.

Export Express

The Export Express program is designed to help SBA meet the export financing needs of small businesses. It is subject to the same loan processing, making, closing, servicing, and liquidation requirements as well as the same maturity terms, interest rates, and applicable fees as for other SBA loans except as noted below. The total Export Express loan cannot exceed $500,000. SBA guarantees 90 percent for loans of $350,000 and under and 75 percent for loans greater than $350,000 up to the maximum of $500,000. SBA allows participating lenders to make their own credit decisions. SBA provides a quick processing time, less than 36 hours.

Eligibility of Exporter

You must have a business operating history of at least one year – not necessarily in exporting. The SBA may waive this requirement if you have sufficient export trade experience or other managerial experience.

Eligibility of Foreign Buyers

The foreign buyer must be a creditworthy entity and the methods of payment must be acceptable to the SBA and the export lender.

Use of Proceeds

- Finance standby letters of credit used for either bid or performance bonds;
- Finance export development activities such as export marketing and promotional activities, participation in foreign trade shows, translation of product literature for foreign markets, and other activities designed to initiate or expand the applicant's export of its products/services from the U.S.;
- Provide transaction-specific financing for overseas orders;
- Provide revolving lines of credit for export purposes, the terms of which must not exceed seven years. In some instances, as a normal course of business, the borrower may use portions of revolving lines of credit for domestic purposes, but no less than 70 percent of the revolving line to be used for export related purposes;
- Provide term loans and other financing to enable small business concerns, including small business export trading companies to develop foreign markets; and
- Acquire, construct, renovate, modernize, improve or expand production facilities or equipment to be used in the U.S. in the production of goods or services to be exported from the U.S.

Ineligible Use of Proceeds

Proceeds may not be used to finance overseas operations, other than those strictly associated with the marketing and/or distribution of products/services exported from the U.S.

How to Apply

The application process is the same for the SBAExpress, except the applicant must demonstrate that loan proceeds will enable it to enter a new export market or expand an existing export market. The applicant must submit to the lender a plan that includes projected export sales for the upcoming year as well as the dollar volume of export sales for the previous year.

U.S. Export Assistance Center (USEAC)

U.S. Export Assistance Centers are a network of facilities around the U.S. staffed by SBA, U.S. Department of Commerce and the Export-Import Bank of the U.S. to provide trade promotion and export-finance assistance for small businesses in a single location. The

USEACs also work closely with other federal, state and local international trade organizations. To find the nearest USEAC, go to **www.export.gov/eac**.

Rick Schulze
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International Trade Programs
North Texas U.S. Export Assistance Center
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Grapevine, TX 76051
817-310-3749 • 817-310-3757 Fax
richard.schulze@sba.gov

CERTIFIED DEVELOPMENT COMPANY LOAN PROGRAM (504 LOANS)

The 504 Loan program is an economic development program that supports American small business growth and helps communities through business expansion and job creation. This SBA program provides long-term, fixed-rate, subordinate mortgage financing for acquisition and/or renovation of capital assets including land, buildings and equipment. Some refinancing is also permitted. Most for-profit small businesses are eligible for this program. The types of businesses excluded from 7(a) loans (listed previously) are also excluded from the 504 loan program.

Loans are provided through Certified Development Companies. CDCs work with banks and other lenders to make loans in first position on reasonable terms, helping lenders retain growing customers and provide Community Redevelopment Act credit.

The SBA 504 loan is distinguished from the SBA 7(a) loan program in these ways:

The maximum debenture, or long-term loan, is:

- $5 million for businesses that create a certain number of jobs or improve the local economy;
- $5 million for businesses that meet a specific public policy goal, including veterans; and
- $5.5 million for manufacturers and energy public policy projects.

Recent additions to the program allow $5.5 million for each project that reduces the borrower's energy consumption by at least 10 percent; and $5.5 million for each project that generates renewable energy fuels, such as biodiesel or ethanol production. Projects eligible for up to $5.5 million under one of these two requirements do not have to meet the job creation or retention requirement, so long as the CDC portfolio average is at least $65,000.

- Eligible project costs are limited to long-term, fixed assets such as land and building (occupied by the borrower) and substantial machinery and equipment. Working capital is not an eligible use of proceeds.
- Most borrowers are required to make an injection (borrower contribution) of just 10 percent which allows the business to conserve valuable operating capital. A further injection of 5 percent is needed if the business is a start-up or new (less than 2 years old), and a further injection of 5 percent is also required if the primary collateral will be a single purpose building.
- Two-tiered project financing: A lender finances approximately 50 percent of the project cost and receives a first lien on the project assets (but no SBA guaranty); A CDC (backed by a 100 percent SBA-guaranteed debenture) finances up to 40 percent of the project costs secured with a junior lien. The borrower provides the balance of the project costs.
- Fixed interest rate on SBA loan. SBA guarantees the debenture 100 percent. Debentures are sold in pools monthly to private investors. This low, fixed rate is then passed on to the borrower and establishes the basis for the loan rate.
- All project-related costs can be financed, including acquisition (land and building, land and construction of building, renovations, machinery and equipment) and soft costs, such as title insurance and appraisals. Some closing costs may be financed.
- Collateral is typically a subordinate lien on the assets financed; allows other assets to be free of liens and available to secure other needed financing.
- Long-term real estate loans are up to 20-year term, heavy equipment 10- or 20-year term and are self-amortizing.

Businesses that receive 504 loans are:

- Small — net worth under $15 million, net profit after taxes under $5 million, or meet other SBA size standards.
- Organized for-profit.
- Most types of business — retail, service, wholesale or manufacturing.

The SBA's 504 certified development companies serve their communities by financing business expansion needs. Their professional staffs work directly with borrowers to tailor a financing package that meets program guidelines and the credit capacity of the borrower's business. For information, visit **www.sba.gov/504**.

Caprock Business Finance Corp., Inc.
1323 58th St./P.O. Box 3730
Lubbock, TX 79452-3730
806-762-8721

Capital Certified Development Company-West Texas Office
3408 88th St.
Lubbock, TX 79423
806-749-3600

Council Finance, Inc.
1026 E.N. 10th St./P.O. Box 3195
Abilene, TX 79604
325-672-8544

Texas Panhandle Regional Development Corp.
801 S. Filmore, Ste. 205
Amarillo, TX 79101
800-333-7892

MICROLOAN PROGRAM

The Microloan program provides small loans ranging from under $500 to $50,000 to women, low-income, minority, veteran, and other small business owners through a network of approximately 160 intermediaries nationwide. Under this program, the SBA makes funds available to nonprofit intermediaries that, in turn, make the small loans directly to entrepreneurs, including veterans. Proceeds can be used for typical business purposes such as working capital, or the purchase of furniture, fixtures, machinery, supplies, equipment, and inventory. Microloans may not be used for the purchase of real estate. Interest rates are negotiated between the borrower and the intermediary. The maximum term for a microloan is 7 years.

The program also provides business based training and technical assistance to microborrowers and potential microborrowers to help them be successful at starting or growing their businesses. Such training and technical assistance may include general business education, assistance with business planning industry-specific training, and other types of training support. Entrepreneurs and small business owners interested in small amounts of business financing should contact the nearest SBA District Office for information about the nearest Microloan Program Intermediary Lender or go to **www.sba.gov/microloans**.

SMALL BUSINESS INVESTMENT COMPANY PROGRAM

There are a variety of alternatives to bank financing for small businesses. The Small Business Investment Company (SBIC) program fills the gap between the availability of private capital and the needs of small businesses for growth

capital. Licensed and regulated by the SBA, SBICs are privately owned and managed investment funds that make capital available to qualifying U.S. small businesses at attractive rates. The funds raise private capital and can receive SBA-guaranteed leverage up to 3x private capital paid-in, with a leverage ceiling of $150 million per SBIC and $225 million for two or more licenses under common control. Licensed SBICs are for-profit investment firms whose incentive is to share in the success of a small business. The SBIC program provides funding for a broad range of industries. Some SBICs invest in a particular field or industry while others invest more generally. For more information, visit **www.sba.gov/inv**.

SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Small Business Innovation Research (SBIR) program encourages small businesses to advance their technical potential from funds committed by federal agencies with large extramural research and development budgets. The SBIR program serves to fund the critical startup and development stages for a technology and encourages commercialization of the technology, product or service. In turn, this stimulates the U.S. economy.

SBIR Requirements

Small businesses must meet the following eligibility criteria to participate in the SBIR program.

- Be 51 percent owned and controlled by one or more individuals who are U.S. citizens or permanent resident aliens in the U.S. or be a for-profit business concern that is at least 51 percent owned and controlled by another for-profit business concern that is at least 51 percent owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the U.S.
- Be for-profit.
- Principal researcher must be employed by the small business.
- Company size cannot exceed 500 employees.

For more information on the SBIR Program visit **www.sba.gov/sbir**.

Participating Agencies

Each year, the following eleven federal departments and agencies are required to reserve 2.5 percent of their extramural R&D funds for award to small businesses through the SBIR program: Departments of Agriculture; Commerce; Defense; Education; Energy; Health and Human Services; Homeland Security; Transportation; Environmental Protection Agency; National Aeronautics and Space Administration; and National Science Foundation.

SMALL BUSINESS TECHNOLOGY TRANSFER PROGRAM

The Small Business Technology Transfer (STTR) program reserves a specific percentage of federal R&D funding for award to small business and non-profit research institution partners. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small business and the nation's premier nonprofit research institutions. Small business has long been where innovation and innovators thrive, but the risk and expense of conducting serious R&D efforts can be beyond the means of many small businesses. Non-profit research laboratories are also instrumental in developing high-tech innovations, but frequently innovation is confined to the theoretical. STTR combines the strengths of both entities by introducing entrepreneurial skills to high-tech research efforts. The technologies and products are transferred from the laboratory to the marketplace. The small business profits from the commercialization, which, in turn, stimulates the U.S. economy.

STTR Requirements

Small businesses must meet the following eligibility criteria to participate in the STTR program.

- Be 51 percent owned and controlled by one or more individuals who are U.S. citizens or permanent resident aliens in the U.S.
- Be for-profit.
- Principal researcher need not be employed by the small business.
- Company size cannot exceed 500 employees. (No size limit for nonprofit research institution).

The nonprofit research institution partner must also meet certain eligibility criteria:

- Be located in the United States and be one of the following:
- Nonprofit college or university.
- Domestic nonprofit research organization.
- Federally funded R&D center.

Participating Agencies

Each year the following five Federal departments and agencies are required by STTR to reserve 0.3 percent of their extramural R&D funds for award to small business/nonprofit research institution partnerships: Department of Defense; Department of Energy; Department of Health and Human Services; National Aeronautics and Space Administration; and National Science Foundation.

SURETY BOND GUARANTEE PROGRAM

The Surety Bond Guarantee program is a public-private partnership between the federal government and surety companies to provide small businesses with the bonding assistance necessary for them to compete for public and private contracting and subcontracting opportunities. The guarantee provides all incentives for sureties to bond small businesses that would otherwise be unable to obtain bonding. The program is aimed at small businesses that lack the working capital or performance track record necessary to secure bonding on a reasonable basis through regular commercial channels.

Through this program, the SBA guarantees bid, payment, performance and ancillary bonds issued by surety companies for individual contracts and subcontracts up to $2 million. The SBA reimburses sureties between 70 and 90 percent of losses sustained if a contractor defaults on the contract.

The SBA has two program options available, the Prior Approval Program (Plan A) and the Preferred Surety Bond Program (Plan B). In the Prior Approval Program, SBA guarantees 90 percent of surety's paid losses and expenses on bonded contracts up to $100,000, and on bonded contracts greater than $100,000 that are awarded to socially and economically disadvantaged concerns, HUBZone contractors, and veterans, and service-disabled veteran owned small businesses. All other bonds guaranteed in the Plan A Program receive an 80 percent guarantee. Sureties must obtain SBA's prior approval for each bond guarantee issued. Under Plan B, SBA guarantees 70 percent, but sureties may issue, monitor and service bonds without SBA's prior approval.

U.S. Small Business Administration Loan Programs, Page A

Information accurate as of 12/01/2011 • *All SBA programs and services are provided on a nondiscriminatory basis.*

7(a) Loan Program

Program	Maximum Amount	Use of Proceeds	Maturity	Maximum Interest Rate	Structure	Who Qualifies	Benefit to Borrowers
Standard 7(a): Applicant applies for business loan to lender; Lender applies to SBA for guaranty of their proposed loan if they determine it is necessary. Loan from lender, not SBA.	$5 million to any one business, including affiliates	Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; inventory, business acquisition, start-ups and refinancing under certain conditions (discuss with lender).	Depends on use of proceeds and ability to repay. Generally working capital and machinery & equipment loans have 5-10 years; real estate is up to 25 years. Term negotiated with lender.	SBA sets a maximum rate for both variable and fixed rate loans (discuss with lender or local SBA District Office for current information).	Term loan with one payment of principal and interest (P&I) each month. Interest variable or fixed as negotiated with lender. Cannot be revolving. SBA charges a Guaranty Fee **	Must be for-profit and meet SBA size standards; show good character, credit, management, and ability to repay; must be an eligible type of business, use proceeds for eligible purpose, and demonstrate that credit is not otherwise available.	Business able to obtain financing which otherwise would not be provided due to term, collateral, equity, and/or time in business. Fixed maturity; No balloons; No prepayment penalty if maturity under 15 years. Establish or re-affirm business relationship with a lender.
International Trade: Long term financing to help businesses engaged in exporting or adversely impacted by imports.	Same as Standard 7(a).	Acquire, renovate, modernize facilities or equipment used in making products or services to be exported, plus permanent working capital and refinance debt not structured with reasonable terms.	Same as Standard 7(a).	Same as Standard 7(a).	Same as Standard 7(a). Maximum SBA guaranty amount for working capital is $4 million.	Same as Standard 7(a) plus businesses must be engaged or preparing to engage in international trade or adversely affected by competition from imports.	Same as Standard 7(a) plus long-term financing for fixed assets used to produce products or services for export.
Export Working Capital Program: Single transaction or Revolving Working Capital lines of credit for exporters.	Same as Standard 7(a).	Short-term, working-capital for exporters. Can be single transaction or revolving. Standby Letters of Credit for export purposes.	Generally one year, but can be up to 3 years to match a single transaction cycle.	Established by lender. No SBA established maximums.	Short term revolving line of credit based on borrowing base or export purchase orders. Monthly interest payments; principal payments based on collection of foreign receivables.	Same as Standard 7(a) plus must have been in business for at least one year and preparing to engage in or increase international trade.	Same as Standard 7(a) plus provides working capital to American Exporters to perform on export transactions and/ or finance export receivables. Ability to finance standby letters of credit for export purposes.
CAPLines: Four different Revolving Lines of Credit, a/k/a Seasonal, Contract Builders, Working Capital	Same as Standard 7(a).	Finances: seasonal working capital needs, direct cost to perform assignable contracts, construction costs of structure for resale, or advances against existing inventory and receivables.	Up to 10 years.	Same as Standard 7(a).	Revolving line of credit with monthly interest and principal payments based on when the business receives the cash for doing the activity the loan proceeds financed.	Same as Standard 7(a) plus a business that needs the specialized proceeds this program offers.	Same as Standard 7(a) plus provides revolving working capital not otherwise available to perform on an assignable contract, to cover seasonal needs, to build or renovate personal or commercial space, and to obtain funds against existing current assets. Also structured to meet business needs.
SBAExpress: Lender approves the loan.	$350,000.	Same as a Standard 7(a) or may be used for a revolving working capital line of credit.	Same as Standard 7(a) for term loans, Revolving lines of credit up to 7 years.	Loans $350,000 or less: Prime + 6.5%. Loans over $50,000: Prime + 4.5%.	Same as Standard 7(a) except lender has more leeway to structure repayment under their own rules.	Same as Standard 7(a).	Same as Standard 7(a) plus Streamlined process; Easy-to-use line of credit and allows for a revolving feature which Standard 7(a) does not.

*** The SBA charges the lender a guaranty fee based on the loan's maturity and the dollar amount which is initially guaranteed. The lender can pass this expense to the borrower and loan proceeds can be used to reimburse the lender. The following chart explains the Agency's guaranty fee charges*

7(a) Loans, continued

Program	Maximum Amount	Use of Proceeds	Maturity	Maximum Interest Rate	Structure	Who Qualifies	Benefit to Borrowers
Export Express: Lender approves the loan.	$500,000.	Same as SBA Express plus can be used for Standby Letters of Credit for Export Purposes. Debt Refinance is not allowed.	Same as SBA Express.	Same as SBA Express.	Same as SBA Express.	Same as SBA express plus loan proceeds must be used to support export development activity.	Same as SBA Express plus provides lenders with a higher percentage guaranty which can encourage them to make more loans to finance export development activities of small businesses. Standby Letters of Credit are also authorized.
Patriot Express: Lender approves the loan.	$500,000.	Same as Standard 7(a).	Same as Standard 7(a).	Same as Standard 7(a).	Same as SBA Express.	Same as Standard 7(a) plus must be owned & controlled by one or more of the following groups equaling at least 51% total ownership: veteran, active-duty military, reservist or National Guard member or spouse of any of these groups, or widowed spouse of service member or veteran who died during service or of service connected disability.	Same as SBA Express plus provides lenders with a higher percentage of guaranty which can encourage them to make more loans to qualified businesses.
Community Advantage: Alternative Lenders assisting businesses located in areas with high needs.	$250,000.	Same as Standard 7(a) except cannot be used to refinance loans made by or guaranteed by the Dept. of Agriculture or loans by SBA Micro-Lenders using their SBA intermediary loan.	Same as Standard 7(a).	Same as Standard 7(a) except allowable "Spread" is + 4% over the base rate.	Allows mission-oriented lenders focused on economic development in underserved markets to apply for 7(a) guaranty on loan they propose to make to an eligible small business.	Loan eligibility requirements are same as for Standard 7(a) loans, but the business should be located in an underserved market .	Borrowers in underserved markets get more choices on the types of lenders who can provide them financing if their financing needs an SBA guaranty and the technical assistance needs of the applicant are assessed by the lender.

Non 7(a) Loans

504 Loans: Fixed Asset Project Financing provided from three sources.	SBA portion up to $5.0 million.	For the acquisition of long-term fixed-assets, refinancing long term fixed asset debt under certain conditions, and working capital on a limited basis.	Either 10 or 20 year term on the SBA/ CDC portion.	Check with local SBA District Office for current information.	Financing from 1. *The CDC Certified Development Company* 2. *Third Party Lenders* 3. *Applicant*	For profit businesses that do not exceed $15.0 million in tangible net worth and do not have an average net income over $5 million for the past 2 years.	Fees under 3 percent; long-term fixed rate; low down payment; full amortization; no balloons.
Micro-Loans	$50,000 total to one small business borrower.	Furniture, fixtures, supplies, inventory, equipment, and working capital.	Shortest term possible, not to exceed 6 years.	Check with local SBA District Office for locations of locally available intermediary lenders and then check with them.	Loans through non- profit lending organizations; technical assistance also provided.	Same as 7(a) – plus loans can be made to non-profit day care businesses.	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance available.

7(a) Guaranty Fee Reference Chart

Gross Size of Loan	Fees	Notes
Loans of $150,000 or less (See Note 1)	2% of guaranteed portion, Lender is authorized to retain	Maturities that exceed 12 months
$150,001 to $700,000	3% of guaranteed portion	Maturities that exceed 12 months
$700,001 to $5,000,000 (See Note 2)	3.5% of guaranteed portion up to $1,000,000 PLUS 3.75% of the guaranteed portion over $1,000,000	Maturities that exceed 12 months
Short Term Loans – up to $5 million	0.25% of the guaranteed portion	Maturities of 12 months or less

NOTE 1: The guaranty fee on a $100,000 loan with an 85% guaranty would be 2% of $85,000 or $1,700, of which the lender would retain $425.

NOTE 2: The guaranty fee on a $2,000,000 loan with a 75% guaranty ($1.5 million guaranteed portion) would be, 3.5% of $1,000,000 ($35,000) PLUS 3.75% of $500,000 ($18,750), for a total of $53,750

MEET THE SBA 100

The U.S. Small Business Administration provides small businesses with the tools and the resources they need to grow and create jobs. This includes access to capital, opportunities in government contracting, and counseling and training—otherwise known as the "Three C's" of capital, contracting, and counseling. Since its inception in 1953, the SBA has used the Three C's to help millions of businesses, from shops on Main Street to high-growth, high-impact firms.

In August, 2011, the SBA announced the SBA 100. These one hundred businesses all used SBA products to grow, and since then, each one has created at least one hundred jobs—no small feat for a small business. You can find them at ***www.sba.gov/100***.

The SBA 100 is a cross section of the diverse array of businesses that stand to benefit from SBA products. Some of the businesses in the SBA 100 have grown to become household names. Others may not be familiar, but they are still cornerstones of their communities and drivers of job creation. There are businesses in a variety of industries, from construction, to food and beverage, to manufacturing. There are Main Street businesses—the shops and restaurants that we visit every day—as well as high-growth, high-impact firms that are transforming our economy. Each business received SBA support, in the form of capital, contracting, or counseling, before going on to create at least 100 jobs.

A few businesses in the SBA 100 worked with the SBA decades ago. For example, Columbia Sportswear used an SBA loan in 1970 to increase its production capacity. At the time, it had forty employees. Today Columbia Sportswear has over 3,000 employees and generates over $1 billion dollars in revenue. Hard work and a little help from the SBA has made Columbia Sportswear into a global leader in outdoor apparel.

Meanwhile, one of the youngest companies in the SBA 100 is the Boathouse at Rockett's Landing in Richmond, Virginia. Owner Kevin Healy got an SBA 7(a) loan in 2009 to renovate an old power plant on the James River to open up his second restaurant. He said the process was "quick, easy and painless and done within approximately 60 days." His business has been growing steadily for the past two years, and the Boathouse at Rockett's Landing now employs over 100 people.

The SBA 100 isn't just businesses that have received SBA loans. In 1985, Qualcomm was a small company proving R&D to the federal government, but not for long. In 1989, the company received funding from the Small Business Innovation Research (SBIR) program to hire engineers and begin developing microchips. This funding gave them the freedom to innovate, explore, and transition from contract research to consumer applications. In twenty years, Qualcomm has gone from 35 people to a global workforce of 16,000 employees. The chip department initially funded by the SBIR program now makes up two-thirds of the company's revenue.

There are also businesses that have benefited from SBA's support for small business contracting. Missouri's World Wide Technology (WWT) enrolled in SBA's 8(a) Business Development program in 1992. The 8(a) program gave the company the tools it needed to compete for and win government contracts. Now, WWT has over 1,300 employees in 48 states and six countries, and its sales exceed $68 million.

The fact is, the SBA has something to offer, no matter what kind of support you need or what kind of business you own. Whether you're just starting out, or you have been in business for decades, the SBA can help you take your business to the next level. If you own a restaurant on Main Street, you can get a loan to expand. If you own a high-growth firm, you can get the investment capital you need. If you are looking to get into government contracting, SBA can help you get started. And for every business, SBA counselors are standing by to help you along the way.

This Resource Guide is a great place to learn more. In here, you can find details on all of SBA's programs, from loans and capital, to contracting and counseling. You can also find SBA online at ***www.sba.gov***. SBA recently revamped its website, making the information and resources you need much easier to find. Meanwhile, the SBA online Community, which you can find at ***community.sba.gov***, puts the advice of thousands of small business owners like you at your fingertips. You can also visit ***www.sba.gov/direct*** to find your SBA district office or local resource partner.

Thanks for reading, and we'll see you soon.

CONTRACTING

Applying for Government Contracts

The U.S. government is the largest single purchaser of goods and services in the world, buying everything from armored tanks to paper clips. Every year, the federal government awards more than $500 billion in contracts, and a significant share of those contracts are specifically allotted to small businesses.

The SBA works with agencies to award at least 23 percent of all prime government contracts to small businesses, with specific statutory goals for small disadvantaged businesses, businesses that are women-owned or service-disabled veteran-owned, or businesses that are located in historically underutilized business zones (HUBZone).

The agency ensures that small businesses have access to long-lasting development opportunities, which means working with small businesses to help them stay competitive, as well as encouraging federal agencies to award more contracts to small businesses. The SBA features outreach programs, matchmaking events, and online training opportunities; and helps agencies identify opportunities for small businesses.

HOW GOVERNMENT CONTRACTING WORKS

Sealed bidding vs. Negotiation

There are two methods the government uses to purchase goods and services, sealed bidding and negotiation. The first method, sealed bidding, involves issuing an invitation for bid by a procuring agency. Under the sealed bidding method, a contract is usually awarded to the lowest priced bidder that can meet the quantity, quality and delivery requirements of the procurement. The second method, negotiation, involves issuing a request for proposal or request for quotation. The business with the best proposal in terms of technical content, price and other factors generally wins the contract.

Types of Contracts

Firm fixed price contracts place the responsibility for the costs and risk of loss on the contractor. Firm fixed price contracts do not permit any adjustment on the basis of the contractor's costs during the performance of the contract. This type of contract is used in all sealed bid and some negotiated procurements.

Cost reimbursement contracts provide for the payment of allowable costs incurred by the contractor, to the extent stated in the contract. The contract establishes a ceiling price, above which a contractor may not exceed without the approval of the contracting officer. Cost reimbursement contracts are used in research contracts that have commercial applicability.

Some contracts do not fit neatly into these two categories, such as time and material contracts (prices for hourly wages are fixed but the hours are estimated) and letter contracts (authorizes a contractor to begin work on an urgent requirement).

Small Business Set-Asides

A "set-aside" for small businesses reserves an acquisition exclusively for small business participation. There are two ways in which set-asides can be determined. First, if an acquisition of goods or services has an anticipated dollar value of at least $3,000 but not exceeding $150,000, it is automatically reserved for small businesses. The acquisition will be set aside only if the contracting officer determines there are two or more responsible small businesses that are competitive in terms of market prices, quality and delivery. Second, if an acquisition of goods or services is more than $150,000, and if it's likely offers will be obtained from at least two responsible small businesses, and if awards will be made at fair market prices, the acquisition is reserved exclusively for small business. Reasonable expectations of small business competition may be evaluated using past acquisition history of an item or similar items.

There are several exceptions and unique rules for specific kinds of small businesses and industries. For R&D small business set-asides, there must be reasonable expectation of obtaining from small businesses the best scientific and technological sources consistent with the demands of the proposed acquisition. For small business set-asides other than for construction services, any business proposing to furnish a product that it did not itself manufacture must furnish the product of a small business manufacturer unless the SBA has granted either a waiver or exception to this requirement. In industries where the SBA finds that there are no small business manufacturers, it may issue a waiver to the non-manufacturer rule. Waivers permit small businesses to provide any domestic firm's product.

Subcontracting

Subcontracting opportunities are a great resource for small businesses, especially to those not ready to bid as prime contractors. Experience gained from subcontracting with a federal prime contractor can better prepare businesses to bid for prime contracts.

Current regulations stipulate for contracts offering subcontracting opportunities over $650,000 for goods and services, or $1.5 million for construction, large business prime contractors must offer maximum practicable subcontracting opportunities to small businesses. Large business prime contractors must submit a subcontracting plan describing how they will successfully subcontract to small businesses.

To find subcontracting opportunities, a list of Federal prime contractors is available through SBA's Subcontracting Directory at www.sba.gov and www.gsa.gov. Research the list of prime contractors and determine which are best suited for your business. Develop a marketing strategy, and then contact the Small Business Liaison Officer listed for each prime to schedule an appointment.

What You Should Know About Your Business

To be eligible to bid on a federal contract, you must know your business. Answer the following three questions:

1. Are you a small business?

Is your small business:

- Organized for profit?
- Located in the U.S.?
- Operated primarily within the U.S. or making a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor?
- Independently owned and operated?
- Not dominant in the field of operation in which it is bidding for government contracts?
- A sole proprietorship, partnership, corporation, or any other legal form?

If the first six criteria apply to your business, ask yourself the second important question to find out if your business meets size standard requirements.

2. What is the size standard for your business?

Size standards are used to determine whether a business is small or "other than small." Size standards vary depending upon the industry. To determine the size standard for your business, you will need a NAICS code. Every federal agency uses these codes when considering your business. To determine your NAICS code, go to www.census.gov/eos/www/naics/.

Some SBA programs require their own unique size standards. To find out more about these requirements and other size standard information, go to www.sba.gov/size.

3. Do you fall under a specific certification?

Under the umbrella of "small business," SBA has outlined several specific certifications that businesses may fall under. These certifications are divided into two categories: SBA-Certified and Self-Certified.

The SBA-Certified Programs were created to assist specific businesses in securing federal contracts and therefore can only be issued by SBA administrators. For the Self-Certified Programs, you can determine for yourself if your business meets the requirements by referring to the Federal Acquisition Regulations (FAR).

Just as Congress has given federal agencies a goal of procuring 23 percent of federal contracts from small businesses, so too must federal agencies meet specific contracting goals for other categories of small firms. These goals are:

- 5 percent of contracts go to Small Disadvantaged Businesses
- 5 percent go to Women-Owned Small Businesses
- 3 percent go to Service-Disabled Veteran-Owned Small Businesses
- 3 percent go to HUBZone Small Businesses

Federal agencies have a strong incentive to fulfill these contracting goals. You should apply for those SBA-Certified and Self-Certified programs for which you qualify to take advantage of contracting opportunities.

SBA CONTRACTING PROGRAMS

HUBZONE

The HUBZone program helps small businesses located in distressed urban and rural communities, known as Historically Underutilized Business Zones, gain access to federal set-aside contracts and sole source contracts, as well as a price evaluation preference in full and open contract competitions. There is a statutory requirement that HUBZone small business concerns be awarded not less than 3 percent of the total value of all prime contract awards. The HUBZone program also establishes preference for award of federal contracts to small businesses in these areas. To qualify for the program, a business (except those that are tribally-owned) must meet the following criteria:

- It must be a small business by SBA size standards
- It must be owned and controlled at least 51 percent by U.S. citizens, or a Community Development Corporation, an agricultural cooperative, or an Indian tribe
- Its principal office must be located within a "Historically Underutilized Business Zone," which includes lands considered "Indian Country" and military facilities closed by the Base Realignment and Closure Act
- At least 35 percent of its employees must reside in a HUBZone. Existing businesses that choose to move to qualified areas are eligible to apply for certification. To fulfill the requirement that 35 percent of a HUBZone firm's employees reside in a HUBZone, employees must live in a primary residence at a place for at least 180 days, or as a currently registered voter, and with intent to live there indefinitely.

SBA is responsible for:

- Determining whether or not individual concerns are qualified HUBZone small business concerns;
- Maintaining a list of qualified HUBZone small business concerns for use by acquisition agencies in awarding contracts under the program;
- Adjudicating protests and appeals of eligibility to receive HUBZone contracts.

For additional information, visit www.sba.gov/hubzone.

8(a) BUSINESS DEVELOPMENT PROGRAM

The 8(a) Business Development program is a nine year program established to assist eligible socially and economically disadvantaged individuals develop and grow their businesses. Business development assistance includes one-to-one counseling, training workshops, and other management and technical guidance. There is a statutory requirement that small disadvantaged business concerns be awarded not less than 5 percent of the total value of all prime contract awards. All firms that become eligible for SBA's 8(a) business development assistance are also considered small disadvantaged business concerns for federal contracting.

To be eligible for the 8(a) Business Development program, a business must meet the following criteria:

- It must be a small business by SBA size standards;
- It must be owned (at least 51 percent) by one or more individuals who qualify as socially and economically disadvantaged, and who are US citizens of good character;
- It must be controlled, managed, and operated by one or more individuals who qualify as disadvantaged, and;
- It must demonstrate potential for success (generally by being in business for at least two full years) before applying.

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual capabilities. The following individuals are presumed to be socially disadvantaged: Black Americans, Native Americans, Alaska Natives or Native Hawaiians, Hispanic Americans, Asian Pacific Americans, and Subcontinent Asian Americans. An

individual who is not a member of one of these groups must establish individual social disadvantage by a preponderance of evidence. Economically disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free-enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged.

Firms owned by Alaska Native Corporations, Indian Tribes, Native Hawaiian Organizations, and Community Development Corporations can also apply to the SBA for 8(a) business development assistance.

So that approved firms can obtain training, counseling, and business development assistance, SBA designates a staff person at a local SBA District Office, geographically near the business. SBA is responsible for:

- Determining whether a business qualifies for the 8(a) Business Development program
- Determining whether a business continues to qualify, during the nine-year term.
- Approving Mentor/Protégé agreements between 8(a) firms and large businesses.

For additional information, visit **www.sba.gov/8a**.

SMALL DISADVANTAGED BUSINESS

A Small Disadvantaged Business (SDB) is defined as a small business that is at least 51 percent owned and controlled by one or more individuals who are socially and economically disadvantaged.

There is a federal government-wide goal of awarding at least 5 percent of prime contracting dollars to SDBs each year. Large prime contractors must also establish a subcontracting goal for SDBs in their Subcontracting Plans.

Firms self-certify as SDB without submitting any application to SBA; however, firms approved by SBA into the 8(a) Business Development program are automatically certified as an SDB. To self-certify, firms should update their CCR profiles and update their ORCA profiles, making sure that both profiles reflect their SDB status.

SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS

The Service-Disabled Veteran-Owned Small Business (SDVOSB) program has a federal government-wide goal of awarding at least 3 percent of prime and subcontracting dollars to Service-Disabled Veteran-Owned Small Businesses each year. Large prime contractors must also establish a subcontracting goal for Veteran-Owned Small Businesses in their Subcontracting Plans. These subcontracting goals are reviewed at time of proposal by both the contracting officer and SBA prior to the award of a contract.

The SDVOSB Protest is administered by SBA to ensure that only businesses owned by service-disabled veterans receive contracts reserved exclusively for them. When a business's SDVOSB self-certification is challenged, SBA determines if the business meets the status, ownership, and control requirements.

To determine your eligibility, contact your local veterans business development officer, visit the various program websites, or contact SBA's Office of Veterans Business Development at **www.sba.gov/vets**.

WOMEN-OWNED SMALL BUSINESS FEDERAL CONTRACT PROGRAM

On October 7, 2010, the SBA published a final rule effective February 4, 2011, aimed at expanding federal contracting opportunities for women-owned small businesses. The Women-Owned Small Business Federal Contract program authorizes contracting officers to set aside certain federal contracts for eligible women-owned businesses and economically disadvantaged women-owned small businesses.

To be eligible, a firm must be at least 51 percent owned or controlled by one or more women. The women must be U.S. citizens. The firm must be "small" in its primary industry in accordance with SBA's size standards for that industry. To be deemed "economically disadvantaged" its owners must demonstrate economic disadvantage in accordance with the requirements set forth in the final rule. For additional information, visit **www.sba.gov/wosb**.

GETTING STARTED IN CONTRACTING

Once you have identified the important information regarding your business, it is time to start the process of procuring a government contract.

1. Identify your DUNS (Data Universal Numbering System) number
To register your business, obtain a DUNS number used to identify and track millions of businesses. You can obtain your free DUNS number when registering with the CCR (Central Contractor Registration) at www.ccr.gov or by contacting Dun & Bradstreet at www.dnb.com.

2. Identify your EIN (Employer Identification Number)
An EIN, otherwise known as a federal tax identification number, is generally required of all businesses. For more information, go to www.irs.gov.

3. Identify your NAICS (North American Industry Classification) codes
The NAICS codes are used to classify the industry a particular business occupies. You will need at least one NAICS code to complete your registration, but be sure to list as many as apply. You may also add or change NAICS codes at any time. To find NAICS code, visit www.census.gov/eos/www/naics/.

4. Identify your SIC (Standard Industrial Classification) codes
The SIC codes are four-digit numbers that are used to classify the industry a particular business occupies. While NAICS codes have largely replaced SIC codes, you will still need to provide your SIC code. SIC codes can be found at www.osha.gov/pls/imis/sicsearch.html.

5. Register with the CCR (Central Contractor Registration)
The CCR is an online government maintained database of companies wanting to do business with the federal government. Agencies search the database for prospective vendors. The CCR is at www.ccr.gov.

After completing registration, you will be asked to enter your small business profile information through the SBA Supplemental Page. The information will be displayed in the Dynamic Small Business Search.

Creating a profile in CCR and keeping it current ensures your firm has access to federal contracting opportunities. Entering your small business profile, including your business information and key word description, allows contracting officers, prime contractors, and buyers from state and local governments to learn about your company.

6. Use ORCA (Online Representations and Certifications Application)
Prospective contractors must complete (electronically or through submission of paperwork), representations and certifications for small business size and program status as part of the process that registers your business for federal contracting opportunities. To make this process easier for everyone involved, the government developed ORCA, where generally, businesses can complete all of the paperwork online. To begin this process, first register your firm in CCR, then go to www.orca.bpn.gov.

7. Register with the GSA Schedule
The GSA (General Services Administration) Multiple Award Schedule (aka Federal Supply Schedule) is used by GSA to establish long-term, government wide contracts with commercial firms. Once these contracts are established, government agencies can order the supplies and services they need directly from the firms through the use of an online shopping tool. Becoming a GSA schedule contractor increases your opportunity for contracts across all levels of government. Businesses interested in becoming GSA schedule contractors should review the information available at www.gsa.gov/schedules.

8. Make Sure Your Business is Financially Sound
This critical step is absolutely necessary to make sure that your business is financially prepared for the journey ahead. Even if you are able to obtain a government contract, you will not be receiving all of the money at once. It helps to have a clear plan of how your business will stage the benefits of the contract.

9. Search FedBizOpps for contracting opportunities
Federal Business Opportunities, or FedBizOpps, is an online service operated by the federal government that announces available business opportunities. FedBizOpps helps identify the needs of federal agencies and available contracting opportunities. To begin searching for contracting opportunities, go to www.fbo.gov.

10. Marketing Your Business
Registering your business is not enough to obtain a federal contract: you will need to market your business to attract federal agencies. Tips for good marketing are:

- Determine which federal agencies buy your product or service, and get to know them
- Identify the contracting procedures of those agencies
- Focus on opportunities in your niche and prioritize

Although not required, you may want to obtain a PSC (Product Services Code) and/or a FSC (Federal Supply Classification). These codes provide additional information about the services and products your business offers.

ADDITIONAL PROCUREMENT RESOURCES

The following federal procurement resources may also be of assistance:

- **The Certificates of Competency program** allows a small business, that is the apparent successful offeror, to appeal a contracting officer's non-responsibility determination that it is unable to fulfill the requirements of a specific government contract. The SBA will conduct a detailed review of the firm's technical and financial capabilities to perform on the contract. If the business demonstrates the capability to perform, the SBA issues a Certificate of Competency to the contracting officer, requiring award of that contract to the small business.
- **PCRs (Procurement Center Representatives) and CMRs (Commercial Marketing Representatives):** PCRs work to increase the small business share of federal procurement awards. CMRs offer many services to small businesses, including counseling on how to obtain subcontracts. To find a PCR or CMR near you, go to www.sba.gov/sba-direct.
- **PTACs (Procurement Technical Assistance Centers):** PTACs provide assistance to businesses that want to sell products and services to federal, state, and/or local government. To find a PTAC in your state, go to www.dla.mil/db/procurem.htm.
- **Department of Defense** (The DoD is the largest purchaser of goods from small businesses): www.acq.osd.mil/sadbu
- **Office of Federal Procurement Policy:** www.whitehouse.gov/omb/procurement
- **Acquisition Forecast:** www.acquisition.gov/comp/procurement_forecasts/index.html
- **Federal Supply Schedule (FSS):** www.gsa.gov
- **GSA Center for Acquisition Excellence:** www.gsa.gov/portal/content/103487

SBA DISASTER ASSISTANCE

Knowing the Types of Assistance Available for Recovery

The Disaster Assistance Program is SBA's largest direct loan program, and the only form of SBA assistance not limited to small businesses. SBA is responsible for providing affordable, timely and accessible financial assistance to homeowners, renters, businesses of all sizes and private, nonprofit organizations following declared disasters. By law, governmental units and agricultural enterprises are ineligible.

The SBA offers two types of disaster loans—Physical and Economic Injury Disaster Loans.

Home Physical Disaster Loans up to $200,000 are available to eligible homeowners to repair or replace to its pre-disaster condition damaged or destroyed real estate not fully covered by insurance. Renters and homeowners alike may borrow up to $40,000 to repair or replace clothing, furniture, cars, appliances, etc., that was damaged or destroyed in the disaster.

Business Physical Disaster Loans up to $2 million are available to qualified businesses or private, nonprofit organizations of any size to help restore or replace damaged real estate, inventory, machinery, equipment and other business assets to its pre-disaster condition.

The SBA can also lend additional funds to homeowners and businesses to help with the cost of making improvements that protect, prevent or minimize the same type of disaster damage from occurring again.

Economic Injury Disaster Loans (EIDLs) are working capital loans available to qualified small businesses, private nonprofit organizations of all sizes and small agricultural cooperatives that suffered financial losses because of the disaster, regardless of physical damage. The SBA can loan up to $2 million to provide the necessary working capital to help small businesses pay fixed debts, payroll, accounts payable and other bills that could have been covered had the disaster not occurred. The loan is not intended to replace lost sales or profits. The combined limit for economic injury and physical damage assistance for businesses is $2 million.

Military Reservist Economic Injury Disaster Loans (MREIDLs) are working capital loans for small businesses adversely affected when an essential employee is called up to active duty by the National Guard or Reserves. An "essential employee" is defined as an individual (whether or not the owner of the small business) whose managerial or technical skill is critical to the successful daily operation of the business. The loan limit is $2 million, and the funds may be used to pay necessary operating expenses as they mature until operations return to normal after the essential employee is released from active military duty. The MREIDLs cannot be used to replace lost profits.

For all disaster loans, SBA can only approve loans to applicants having a credit history acceptable to SBA and who also show the ability to repay the loans. The loan terms are established in accordance with the borrower's repayment ability. The law gives SBA several powerful tools to make disaster loans affordable: low-interest rates (around 4 percent), long-terms (up to 30 years), and refinancing of prior liens (in some cases). As required by law, the interest rate for each loan is based on SBA's determination of whether the applicant has credit available elsewhere (the ability to borrow or use their own resources to recover after the disaster).

More information on all of SBA's disaster assistance programs, including information for military reservists, is available at **www.sba.gov/disaster**.

Disaster Preparedness

For small businesses, surviving a disaster doesn't begin with clearing the debris and returning to work.

With proper planning, surviving begins long before the disaster strikes—or before active-duty orders are received. Your planning should include insurance coverage, emergency power, protection of company records, fire safety, medical emergencies, taking care of your employees and continuity planning – how your business will continue during and after the emergency or disaster.

Starting is as easy as clicking on the disaster preparedness page of SBA's website at **www.sba.gov/content/disaster-preparedness**.

The page provides links to resources to help you put together your own emergency plan, preparedness tips, and fact sheets about SBA recovery assistance for homeowners, renters, businesses of all sizes and private, nonprofit organizations.

Additionally, to help small businesses with their preparedness planning, SBA has teamed up with Agility Recovery Solutions to offer business continuity strategies for entrepreneurs via their "PrepareMyBusiness" website. In addition to offering practical disaster preparedness tips, Agility is the co-host (with SBA) of a monthly disaster planning webinar for business owners. Previous webinar topics have included discussions on crisis communications, testing your recovery plan, and using social media to enhance business recovery. Visit **www.preparemybusiness.org** to get the schedule for future webinars, view archived webinars, and for more disaster planning tips.

As small businesses are leading America's economic recovery, many of them are investing time and money into their plans to grow and create jobs. Developing a strong disaster preparedness plan should be a critical and integral piece of those efforts. Planning for a disaster is the best way of limiting its effects.

Additional Resources

The SBA has partnered with the American Red Cross to increase awareness in the business community about the Red Cross Ready Rating™ program. Ready Rating (**www.readyrating.org**) ™ is a free, self-paced, web-based membership program that helps a business measure its ability to deal with emergencies, and gives customized feedback on how to improve those efforts.

Additional information on developing an emergency plan is available at the federal government's preparedness website **www.ready.gov**.

The Institute for Business and Home Safety (**www.disastersafety.org**) has useful tips on protecting your home or business.

ADVOCACY AND OMBUDSMAN

Watching out for small business interests

OFFICE OF ADVOCACY

The SBA's Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, the President and federal appellate courts as friends of the court. Advocacy compiles and interprets statistics on small business and is the primary entity within the federal government to disseminate small business data.

Headed by the Chief Counsel for Advocacy, the office also funds outside research of small business issues and produces numerous publications to inform policy makers about the important role of small business in the economy and the impact of government policies on small business. In addition, the office monitors federal agency compliance with the Regulatory Flexibility Act – the law that requires agencies to analyze the impact of their proposed regulations on small entities (including small businesses, small governmental jurisdictions and small nonprofit organizations), and consider regulatory alternatives that minimize the economic burden on small entities.

Advocacy's mission is enhanced by a team of regional advocates, located in the SBA's 10 regions. They are Advocacy's direct link to small business owners, state and local government entities, and organizations that support the interests of small entities. The regional advocates help identify regulatory concerns of small business by monitoring the impact of federal and state policies at the grassroots level.

Learn more about the Office of Advocacy at **www.sba.gov/advocacy**.

OFFICE OF THE NATIONAL OMBUDSMAN

If excessive fines, penalties or unfair regulatory enforcement by federal agencies are problems for your small business, you have a voice in Washington, D.C., through the SBA's Office of the National Ombudsman.

The Ombudsman receives comments regarding federal regulatory enforcement from small business owners, nonprofit organizations and small government entities. Comments are forwarded to federal agencies for review, and in some cases fines may be lowered or eliminated and decisions changed in favor of the small business owners. Each year the National Ombudsman files a report with the U.S. Congress on the responsiveness of federal agencies regarding their actions of regulatory and compliance enforcement on small businesses.

To request help, send the National Ombudsman a complete Federal Agency Comment Form. You may do this by fax at 202-481-5719; online at the Ombudsman's Web page: **www.sba.gov/ombudsman**; or by mail at 409 Third Street S.W., Mail Code 2120, Washington, DC 20416.

The Ombudsman also coordinates 10 Regional Regulatory Fairness Boards which meet regularly to receive comments about federal regulations affecting small businesses.

Learn more about the National Ombudsman from the Web site above or call 888-REG-FAIR.

ADDITIONAL RESOURCES

Taking care of start up logistics

Even if you are running a small home-based business, you will have to comply with many of the local, state, and federal regulations. 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. 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 compliances 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.

BUSINESS LICENSES

There are many types of licenses, both state and local as well as professional. Depending on what you do and where you plan to operate, your business may be required to have various state and/or municipal licenses, certificates or permits.

Licenses are typically administered by a variety of state and local departments. Consult your state or local government for assistance.

FICTITIOUS BUSINESS NAME

Registering your business name, after doing a search to make sure that it is not already in use, protects you from others who might want to use the same name. For more information, contact the county clerk's office in the county where your business is based. If you are a corporation, you'll need to check with the state.

BUSINESS INSURANCE

Like home insurance, business insurance protects 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.

"Key Man" – If you (and/or any other individual) are 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 frequently 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, incapacitation or absence due to a Title 10 military activation of an owner or other "key" employee.

Automobile – It is obvious that a vehicle owned by your business should be insured for both liability and replacement purposes. What is less obvious is that you 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 for such usage.

Officer and Director – Under most state laws, 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.

Home Office – If you are establishing an office in your home, it is a good idea to contact your homeowners' insurance company to update your policy to include coverage for office equipment. This coverage is not automatically included in a standard homeowner's policy.

TAXES

Taxes are an important and complex aspect of owning and operating a successful business. Your accountant, payroll person, or tax advisor may be very knowledgeable, but there are still many facets of tax law that you should know. The Internal Revenue Service is a great source for tax information.

Small Business/Self-Employed Tax Center: **www.irs.gov/businesses/small/index.html**

When you are running a business, you don't need to be a tax expert. However, you do need some tax basics. IRS Small Business/Self-Employed Tax Center gives you the information you need to stay tax compliant so your business can thrive.

Small Business Forms and Publications **www.irs.gov/businesses/small/article/0,,id=99200,00.html**

Download multiple small business and self-employed forms and publications.

FEDERAL PAYROLL TAX (EIN NUMBERS)

An Employer Identification Number (EIN),also known as a Federal Employer Identification Number (FEIN), is used to identify a business entity. Generally, businesses need an EIN to pay federal withholding tax.

You may apply for an EIN in various ways, one of which is to apply online. **www.irs.gov/businesses/small/article/0,,id=102767,00.html**. This is a free service offered by the Internal Revenue Service. Call 800-829 1040 if you have questions. You must check with your state to determine if you need a state number or charter.

FEDERAL SELF-EMPLOYMENT TAX

Every employee must pay Social Security and Medicare coverage. If you are self-employed, your contributions are made through the self-employment tax.

The IRS has publications, counselors and workshops available to help you sort it out. For more information, contact the IRS at 800-829-1040 or **www.irs.gov**.

SALES TAX EXEMPTION CERTIFICATE

If you plan to sell products, you will need a Sales Tax Exemption Certificate. It allows you to purchase inventory, or materials, which will become part of the product you sell, from suppliers without paying taxes. It requires you to charge sales tax to your customers, which you are responsible for remitting to the state. You will have to pay penalties if it is found that you should have been taxing your products and now owe back taxes to the state. For information on sales tax issues, contact your state's government.

FEDERAL INCOME TAX

Like the state income tax, the method of paying federal income taxes depends upon your legal form of business.

Sole Proprietorship: You must file IRS Federal Form Schedule C along with your personal Federal Income Tax return (Form 1040) and any other applicable forms pertaining to gains or losses in your business activity.

Partnership: You must file a Federal Partnership return (Form 1065). This is merely informational to show gross and net earnings of profit and loss. Also, each partner must report his share of partnership earnings on his individual Form 1040 based on the information from the K-1 filed with the Form 1065.

Corporation: You must file a Federal Corporation Income Tax return (Form 1120). You will also be required to report your earnings from the corporation including salary and other income such as dividends on your personal federal income tax return (Form 1040).

FEDERAL PAYROLL TAX

Federal Withholding Tax: Any business employing a person must register with the IRS and acquire an EIN and pay federal withholding tax at least quarterly. File Form SS-4 with the IRS to obtain your number and required tax forms. Call 800-829-3676 or 800-829-1040 if you have questions.

IRS WEB PRODUCTS FOR SMALL BUSINESSES

For the most timely and up-to-date tax information, go to **www.irs.gov/businesses/small/index.html**.

VIRTUAL SMALL BUSINESS WORKSHOP

www.tax.gov/virtualworkshop/

The Virtual Small Business Tax Workshop is the first of a series of video products designed exclusively for small business taxpayers. This workshop helps business owners understand federal tax obligations. The Virtual Small Business Workshop is available on CD **www.irs.gov/businesses/small/article/0,,id=101169,00.html** and online **www.irsvideos.gov/virtualworkshop/** if you are unable to attend a workshop in person. Small business workshops are designed to help the small business owner understand and fulfill their federal tax responsibilities. Workshops are sponsored and presented by IRS partners who are federal tax specialists.

Workshop topics vary from a general overview of taxes to more specific topics such as recordkeeping and retirement plans. Although most are free, some workshops have fees associated with them. Fees for a workshop are charged by the sponsoring organization, not the IRS.

The IRS's **Virtual Small Business Tax Workshop** is an interactive resource to help small business owners learn about their federal tax rights and responsibilities. This educational product, available online and on CD, consists of nine stand-alone lessons that can be selected and viewed in any sequence. A bookmark feature makes it possible to leave and return to a specific point within the lesson. Users also have access to a list of useful online references that enhance the learning experience by

allowing them to view references and the video lessons simultaneously.

Tax Calendar for Small Businesses and Self-Employed (Publication 1518)
www.irs.gov/businesses/small/article/0,,id=176080,00.html

The Tax Calendar for Small Businesses and Self-Employed contains useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, common tax filing dates, and federal legal holidays.

SOCIAL SECURITY CARDS

All employees must have a social security card. It must be signed by its owner, and you should always ask to see and personally record the social security number. Failure to do so may cause your employee to lose benefits and considerable trouble for yourself in back tracking to uncover the error.

Each payday, your employees must receive a statement from you telling them what deductions were made and how many dollars were taken out for each legal purpose. This can be presented in a variety of ways, including on the check as a detachable portion or in the form of an envelope with the items printed and spaces for dollar deductions to be filled in.

EMPLOYEE CONSIDERATIONS

Taxes

If you have any employees, including officers of a corporation but not the sole proprietor or partners, you must make periodic payments towards, and/or file quarterly reports about payroll taxes and other mandatory deductions. You may contact these government agencies for information, assistance and forms.

Social Security Administration
800-772-1213
www.ssa.gov

Social Security's Business Services Online

The Social Security Administration now provides free electronic services online at **www.socialsecurity.gov/employer/**. Once registered for Business Services Online, business owners or their authorized representative can:

- file W-2s online; and
- verify Social Security Numbers through the Social Security Number Verification Service, used for all employees prior to preparing and submitting Forms W-2.

Federal Withholding
U.S. Internal Revenue Service
800-829-1040
www.irs.gov

Health Insurance

Compare plans in your area at **www.healthcare.gov**.

Employee Insurance

If you hire employees you may be required to provide unemployment or workers' compensation insurance.

WORKPLACE DISABILITY PROGRAMS

Americans with Disabilities (ADA): For assistance with the ADA, call 800-669-3362 or visit **www.ada.gov**.

U.S. CITIZENSHIP AND IMMIGRATION SERVICES

The Federal Immigration Reform and Control Act of 1986 requires employers to verify employment eligibility of new employees. The law obligates an employer to process Employment Eligibility Verification Form I-9. The U.S. Citizenship and Immigration Services Office of Business Liaison offers a selection of information bulletins and live assistance through the Employer Hotline. For forms call 800-870-3676, for the Employer Hotline call 800-357-2099.

E-Verify: Employment Eligibility Verification

E-Verify, operated by the Department of Homeland Security in partnership with the Social Security Administration, is the best--and quickest--way for employers to determine the employment eligibility of new hires. It is a safe, simple, and secure Internet-based system that electronically verifies the Social Security number and employment eligibility information reported on Form I-9. E-Verify is voluntary in most states and there is no charge to use it.

If you are an employer or employee and would like more information about the E-Verify program, please visit **www.dhs.gov/E-Verify** or contact our Customer Support staff: 1-888-464-4218 Monday – Friday 8 am – 5 pm.
E-mail: e-verify@dhs.gov

SAFETY & HEALTH REGULATIONS

All businesses with employees are required to comply with state and federal regulations regarding the protection of employees. The Occupational Safety and Health Administration outlines specific health and safety standards adopted by the U.S. Department of Labor.

BUILDING CODES, PERMITS AND ZONING

It is important to consider zoning regulations when choosing a site for your business. You may not be permitted to conduct business out of your home or engage in industrial activity in a retail district. Contact the business license office in the city or town where the business is located.

BAR CODING

Many stores require bar coding on packaged products. Many industrial and manufacturing companies use bar coding to identify items they receive and ship. There are several companies that can assist businesses with bar-coding needs. You may want to talk with an SBDC, SCORE or WBC counselor for more information.

Federal Registration of Trademarks and Copyrights

Trademarks or service marks are words, phrases, symbols, designs or combinations thereof that identify and distinguish the source of goods. Trademarks may be registered at both the state and federal level. To register a federal trademark, contact:

U.S. Patent and Trademark Office:
P.O. Box 1450
Alexandria, VA 22313-1450
800-786-9199
www.uspto.gov/

Trademark Information Hotline
703-308-9000

STATE REGISTRATION OF A TRADEMARK

Trademarks and service marks may be registered in a state.
Caution: Federally registered trademarks may conflict with and supersede state registered business and product names.

Patents

A patent is the grant of a property right to the inventor by the U.S. Patent and Trademark Office. It provides the owner with the right to exclude others from making, using, offering for sale or selling the patented item in the United States.

Additional information is provided in the publications, General Information Concerning Patents and other publications distributed through the U.S. Patent and Trademark Office. For more information, contact the:

U.S. Patent and Trademark Office
800-786-9199 • www.uspto.gov

Copyrights

Copyrights protect original works of authorship including literary, dramatic, musical and artistic, and certain other intellectual works. Copyright does not protect facts, ideas and systems, although it may protect the way these things are expressed. For general information contact:

U.S. Copyright Office
U.S. Library of Congress
James Madison Memorial Building
Washington, DC 20559
202-707-9100 - Order Line
202-707-3000 - Information Line
www.copyright.gov

BUSINESS ORGANIZATION: Choosing Your Business Structure

There are many forms of legal structure you may choose for your business. Each legal structure offers organizational options with different 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.

The most common organizational structures are sole proprietorships, general and limited partnerships, "C" and "S" corporations and limited liability companies.

Each structure offers unique tax and liability benefits. If you're uncertain which business format is right for you, you may want to discuss options with a business counselor or attorney.

Sole Proprietorship

One person operating a business as an individual is a sole proprietorship. It's the most common form of business organization. Profits are taxed as income to the owner personally. The personal tax rate is usually lower than the corporate tax rate. The owner has complete control of the business, but faces unlimited liability for its debts. There is very little government regulation or reporting required with this business structure.

General Partnership

A partnership exists when two or more persons join together in the operation and management of a business. Partnerships are subject to relatively little regulation and are fairly easy to establish. A formal partnership agreement is recommended to address potential conflicts such as: who will be responsible for performing each task; what, if any, consultation is needed between partners before major decisions, and what happens when a partner dies. Under a general partnership each partner is liable for all debts of the business. Profits are taxed as income to the partners based on their ownership percentage.

Limited Partnership

Like a general partnership, a limited partnership is established by an agreement between two or more persons. However, there are two types of partners.

- A general partner has greater control in some aspects of the partnership. For example, only a general partner can decide to dissolve the partnership. General partners have no limits on the dividends they can receive from profit so they incur unlimited liability.
- Limited partners can only receive a share of profits based on the proportional amount on their investment, and liability is similarly limited in proportion to their investment.

"C" Corporation

A "C" corporation is a legal entity created under state law by the filing of articles of incorporation. A corporation is a separate entity having its own rights, privileges and liabilities, apart from those of the individual(s) forming the corporation. It's the most complex form of business organization and is comprised of shareholders, directors and officers. Since the corporation is a separate legal entity in its own right it can own assets, borrow money and perform business functions without directly involving the owners. Corporations are subject to more government regulation and offer the owners the advantage of limited liability, but not total protection from lawsuits.

Subchapter "S" Corporation

Subchapter "S" references a special part of the Internal Revenue Code that permits a corporation to be taxed as a partnership or sole proprietorship, with profits taxed at the individual, rather than the corporate rate. A business must meet certain requirements for Subchapter "S" status. Contact the IRS for more information.

LLCs and LLPs

The limited liability company is a relatively new business form. It combines selected corporate and partnership characteristics while still maintaining status as a legal entity distinct from its owners. As a separate entity it can acquire assets, incur liabilities and conduct business. It limits liability for the owners. The limited liability partnership is similar to the LLC, but it is for professional organizations.

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Sonny Garza, Br. Pres. / SVP
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sonnygarza@citybanktexas.com

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806-788-2841
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Evan Harris, VP
325-627-7679
eharris@ffin.com

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325-673-1885
dramsay@fnbbaird.com

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mblankenship@happybank.com

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David Fernihough, VP
806-473-6247
dfernihough@lubbocknational.com

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806-794-0044
mphelps@peoplesbanktexas.com

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806-791-7241
bballinger@plainscapital.com
Colleen L. Rowland, VP
512-310-4228
crowland@plainscapital.com

PLAINS STATE BANK
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(Branch of Humble, TX)
601 9th St.
Plains, TX 79355
Larry K. Mason, Pres.
806-456-2022
lkmason@psbplains.com

SECURITY BANK
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110 E. 7th St.
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Trent Parham, VP
432-570-9330
tparham@mysbank.com

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806-331-3142
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940-852-5161
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Shannon L. Smith, SVP
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ssmith@fnbmidland.com

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Michael Meil, VP
806-477-1402
mmeil@firstunited.net

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Mark Marrs, SVP
806-331-6000
mmarrs@interstatebankssb.com

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2599 74th St.
Lubbock, TX 79423-1405
David Sanchez, VP
806-771-7717
dsanchez@lonestarwtx.com

SECURITY STATE BANK (SBAX)
501 Phelps Ave.
Littlefield, TX 79339
Gary Green, SVP
806-385-5134
ggreen@security-state-bank.com

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Sweetwater, TX 79556-4718
Trey Aiken, SVP
325-235-4997
taiken@tnbnetbank.com

VISTA BANK (SBAX, PTX)
4621 50th St.
Lubbock, TX 79414
Jay House, EVP
806-771-9500
jhouse@vistabank.com

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432-687-9829
bmewhorter@wtnb.net

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