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Your Small Business Resource

Loan Report as of May 31, 2009

7(a) and 504 Loans Combined

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	104	\$15,053
Charter One Bank/RBS Citizens	53	\$3,445
KeyBank	45	\$9,146
US Bank	42	\$6,518
National City Bank	41	\$7,523

504 Loans

Bank	Number 504 Approvals
National City Bank	8
FirstMerit Bank	5
CFBank	3
Fifth Third Bank	3
Huntington National Bank	3

CDC	Number 504 Approvals	Dollars (In Thousands)
Cascade Capital Corp.	14	\$6,838
Growth Capital Corp.	12	\$2,962
Lake County SBAC	11	\$6,176
Northwest Ohio Dev. Ass't.	5	\$3,301
Stark Development Board	3	\$2,013
West Central Partnership	2	\$2,038
Horizon Certified Dev. Co.	1	\$1,172
Mentor Economic Ass't. Corp.	1	\$194
SEM Resource, Inc.	1	\$1,732

News For Our Lending Partners

Recovery Act – Restricted Uses of Funds

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. Guidance issued by the White House provides that “[i]n exercising their available discretion to commit, obligate, or expend funds under the Recovery Act for grants and other forms of Federal financial assistance, executive departments and agencies, to the extent permitted by law, shall not approve or otherwise support funding for projects that are similar to those described in section 1604 of Division A of the Recovery Act.” (Memorandum for the Heads of Executive Departments and Agencies, March 20, 2009, page 2.) SBA loan guarantees and surety bond guarantees that are funded with Recovery Act funds may not be made available to businesses primarily engaged in these activities or to businesses that intend to use guaranteed loans or bonds for the acquisition, construction, renovation or other purposes that include restricted uses.

For loans to small businesses that are ineligible under the Recovery Act or that include Recovery Act restricted uses, lenders may continue to submit applications in accordance with the procedures and requirements for 7(a) and 504 loans as stated in SOP 50 10 5(A), with a maximum guarantee percentage of 75/85%, depending on the loan amount, and pay all applicable fees. For surety bonds on contracts that include Recovery Act restricted uses, sureties may continue to submit applications in accordance with the standard procedures and requirements for SBA surety bond guarantees but the contract amount must not exceed \$2 million.

Secondary Market Sales by SBA Lenders

In recent months, Federal financial institution regulators have taken a number of supervisory actions including issuing Cease & Desist orders against financial institutions, including some SBA lenders, for a variety of unsafe and unsound banking practices. Many of these Cease & Desist orders cite banking practices that are detrimental to the SBA Lender and its owners or shareholders. In certain instances the federal financial institution regulator has called into question the institution’s ability to remain financially viable. In addition, auditors of some SBA Lenders have questioned the viability of the SBA Lender by issuing a Going Concern opinion within the Lender’s audited financial statements.

When SBA Lenders subject to supervisory actions, including Cease & Desist orders, sell the guaranteed portion of their loans into SBA’s secondary market, this action can have a significant impact on SBA’s ability to manage program risk. If the SBA Lender is taken over by the Federal Deposit Insurance Corporation, SBA is less likely to receive the full amount of loan recoveries. If, on post-purchase review, SBA denies liability on a loan, either fully or partially, the risk of non-recovery from a lender in receivership becomes even greater. In such a case, SBA is not likely to receive its entitled reimbursement of the portion of the purchase amount denied from the failed institution. An active secondary market that provides SBA Lenders with liquidity to make new small business loans is an important component of the economic recovery. However, SBA must balance that objective against the need to protect SBA and taxpayers from risk of loss. Consequently, when an SBA Lender is subject to a Cease & Desist order or other supervisory action that cites unsafe and unsound banking practices or other items of concern to SBA, or to the extent the SBA learns that an SBA Lender’s auditor issues a Going Concern opinion

risk associated with the SBA Lender’s secondary market sale in determining whether to provide SBA’s prior written consent. In order to conduct that evaluation, SBA may, among other things, conduct an on-site risk-based review of the financial institution and the credit quality of its loans, analyze the SBA lender’s financial performance and SBA loan portfolio, and/or request additional information and documentation from the financial institution. Depending on the results of this evaluation, SBA may not approve the sale of loans in the secondary market, or may require an escrow account be established or other financial assurances be provided to cover potential losses resulting from repairs and denials and to mitigate risk.

SBA recognizes that this action may affect the timing of negotiated loan settlements and secondary market sales. Therefore, if an SBA lender is subject to a supervisory action citing unsafe and unsound banking practices, including a Cease and Desist Order, or a Going Concern opinion from its independent financial statement auditor, and wishes to sell loans into the secondary market, it must notify SBA within five business days (or as soon as practicable thereafter) of the issuance of the action or opinion, or immediately if pre-existing, and provide copies of the relevant documents to SBA for review, preferably prior to negotiating secondary market sales. SBA is committed to perform its evaluation as quickly as possible to minimize settlement delays. This evaluation would generally be commenced within 14 days of an SBA Lender notifying SBA of a Cease and Desist order or other supervisory action or if a Going Concern opinion is included in the audited financial statements or the SBA Lender’s interest in selling loans in the secondary market.

SBA believes that such evaluations may help reinforce investor confidence in the secondary market. However, the evaluations are solely for SBA’s purposes and should not be relied upon by others. ♦

If you have any questions on this or any SBA loan matter, please contact our Lender Relations division at (216) 522-4180.

Businesses That Take ARRA’s Energy-Saving Steps This Year May Get Bigger Tax Savings Next Year

The recently enacted American Recovery and Reinvestment Act (ARRA) of 2009 contained a number of either new or expanded tax benefits on expenditures to reduce energy use or create new energy sources.

The Internal Revenue Service reminds at <http://www.irs.gov/newsroom/article/0,,id=206869,00> businesses that many energy-saving steps taken this year may result in bigger tax savings next year. IRS encourages businesses to explore whether they are eligible for any of the new energy tax provisions.

An IRS Fact Sheet on Energy Provisions of the American Recovery and Reinvestment Act of 2009 at <http://www.irs.gov/newsroom/article/0,,id=206871,00.html> provides a listing of ARRA energy provisions. More information on the wide range of energy items is also available on the special Recovery section of IRS.gov at <http://www.irs.gov/newsroom/article/0,,id=206875,00.html>.

Subscribe to e-News for Small Businesses at <http://www.irs.gov/businesses/small/article/0,,id=154825,00.html> to get the latest information about ARRA and other IRS news and information.

Congressman Charlie Wilson Seminar on the American Recovery and Reinvestment Act *May 29, East Liverpool, Ohio*



SBA Cleveland District Director Gil Goldberg and local media



Over seventy-five people attended.



Congressman Wilson met with area businesspeople.



Attendees review SBA materials

SBA Launches New 100-Percent Guarantee ARC Loan Program to Help Struggling Businesses

Small businesses suffering financial hardship as a result of the slow economy may be eligible to receive temporary relief to keep their doors open and get their cash flow back on track through to a new loan program announced today by SBA Administrator Karen G. Mills. Beginning on June 15, SBA will start guaranteeing America's Recovery Capital (ARC) loans. ARC loans are deferred-payment loans of up to \$35,000 available to established, viable, for-profit small businesses that need short-term help to make their principal and interest payments on existing qualifying debt. ARC loans are interest-free to the borrower, 100 percent guaranteed by the SBA, and have no SBA fees associated with them.

"These ARC loans can provide the critical capital and support many small businesses need to make it through these tough economic times," said Administrator Mills. "Together with other provisions of the Recovery Act, ARC loans will free up capital and put more money in the hands of small business owners when they need it the most. This will help viable small businesses continue to grow and thrive and create new jobs in communities across the country."

As part of the Recovery Act, the ARC program was created as a no-interest, deferred payment loan to help small businesses that have a history of good performance, but as a result of the tough economy, are struggling to make debt payments. ARC loans will be disbursed within a period of up to six months and will provide funds to be used for payments of principal and interest for existing, qualifying small business debt including mortgages, term and revolving lines of credit, capital leases, credit card obligations and notes payable to vendors, suppliers and utilities. Repayment will not begin until 12 months after the final disbursement. Borrowers don't have to pay interest on ARC loans. After the 12-month deferral period, borrowers will pay back the loan principal over a period of five years. ARC loans will be made by commercial lenders, not SBA directly. For more information on ARC loans, visit www.sba.gov ♦

SBA Honors Six During National Small Business Week

A special award ceremony was hosted by COSE (Council of Smaller Enterprises) on May 14, 2009 at the Higbee Building in Cleveland to honor the 2009 Small Business Week awardees. **Rick Zamora**, President and CEO of **Global Point Technologies, Inc.**, of North Royalton, Ohio, was named the **2009 Small Business Person of the Year** by the SBA's Cleveland District Office. "Mr. Zamora and his company exemplify the critical role that small businesses play in growing our economy through the creation of jobs," said Gil Goldberg, District Director of SBA's Cleveland District Office. "It is with great pride that we offer our congratulations to Mr. Zamora on this well-deserved honor." Mr. Goldberg noted that nominees for this award are judged on seven criteria: staying power; growth in number of employees; increase in sales and/or unit volume; strong current and past financial reports; innovativeness of product or service offered; response to adversity; and contributions by nominee to aid community-oriented projects.

Joan P. Wenk, Founder and President of **Creative Playrooms, Inc.** of Solon, was honored as recipient of the **State of Ohio's Entrepreneurial Success Award**. SBA's Entrepreneurial Success Award honors a business that was initially launched as "small" according to SBA's size standards that subsequently grew into a "large" business. Awardees must also have received SBA assistance along the path to becoming a large business. Creative Playrooms, Inc., which serves over 2,000 children at seven locations in the Cleveland, Ohio area, has grown into one of the largest privately owned child care corporation's in the nation. It is always gratifying to honor a firm that has utilized the services of SBA to help it get started, grow, prosper, and ultimately grow beyond our definition of a small business," noted Mr. Goldberg. Finally, SBA honored several small business advocates with SBA Champion Awards. Awardees are individuals that have used their professional expertise or personal talents to further the understanding and awareness of small business. These individuals have taken an active role in creating opportunities for small business. This year's Champion awardees are:

Ohio Financial Services Champion of the Year: Robert A. Schordock, Financial Administrator/Director, WECO Fund, Inc.

District Home-Based Business Champion of the Year: Jeanne Bluffstone, Founder and President, Bluffstone Public Relations

Ohio Minority Small Business Champion of the Year: Charles S. (Chad) Heyman, Sr. Supplier Diversity Coordinator, FirstEnergy Corp.

SBA Region V and Ohio Small Business Development Center Service Excellence and Innovation Award: J. Allen Weaver, Executive Director, The Ohio SBDC at Lake County Port Authority

"This year we are delighted to recognize these awardees significant contributions to the small business community of Northern Ohio", Mr. Goldberg added. "They exemplify small business at its best." Every year since 1963, the President has proclaimed National Small Business Week to recognize the contributions of small businesses to the economic well-being of America. Each year, the U.S. Small Business Administration recognizes this special impact made by outstanding small business owners, and by champions of America's entrepreneurs. In 2009, National Small Business Week honors the estimated 26.8 million small businesses in America, which employ more than half the country's private work force, create 60 to 80 percent of net new jobs annually, and generate a majority of American innovations. ♦



Small Business Person of the Year Rick Zamora, President/CEO of Global Point Technologies, Inc. and SBA Cleveland District Director Gil Goldberg



Ohio Entrepreneurial Success Award winner Joan P. Wenk, Founder and President of Creative Playrooms, Inc. and SBA Cleveland District Director Gil Goldberg

(Additional photos on page five)

SBA Honors Six *(from page four)*



SBA Region V and Ohio SBDC Service Excellence and Innovation Award winner J. Allen Weaver, Director, The Ohio SBDC at Lake County Port Authority and SBA Cleveland District Director Gil Goldberg



Home Based Business Champion of the Year Jeanne Bluffstone, Founder and President, Bluffstone Public Relations and SBA Cleveland District Director Gil Goldberg



Ohio Financial Services Champion of the Year Robert A. Schordock, Financial Administrator/Director, Microenterprise Center, WECO Fund, Inc. and SBA Cleveland District Director Gil Goldberg



Ohio Minority Small Business Champion of the Year Charles S. (Chad) Heyman, Senior Supplier Diversity Coordinator, FirstEnergy Corp. and SBA Cleveland District Director Gil Goldberg