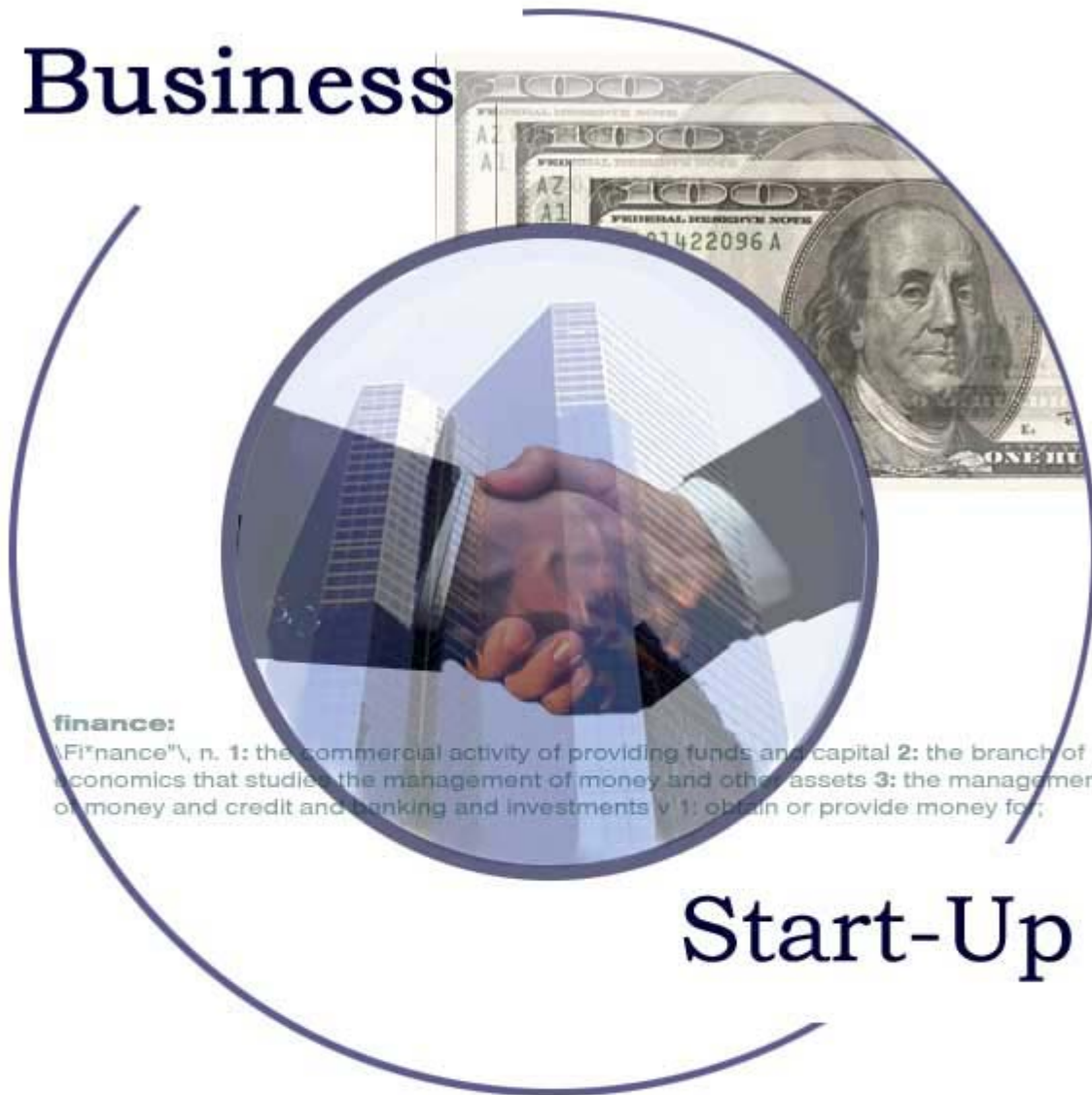


# Business



**finance:**

"Finance", n. 1: the commercial activity of providing funds and capital 2: the branch of economics that studies the management of money and other assets 3: the management of money and credit and banking and investments v 1: obtain or provide money for;

## Start-Up

# Where to Begin & How To Grow

By: J. Corey Pierce

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## Origin of This Workbook

The workbook has been compiled from the wealth of free information available from the U.S. Small Business Administration.

We at BusinessFinance.com have reviewed and updated this information for the benefit of the U.S. based Entrepreneurial community. This information is only available for free and not to be sold under any circumstances.

We sincerely hope that this valuable and free information will help you to start and grow your business. Please use all the free information provided by businessfinance.com including our free:

- Business Capital Search Engine with the criteria of over 4,000 sources of capital
- Workbook – “How to Prepare And Present A Successful Funding Request”
- Guide – “The Art & Science of Obtaining Venture or Angel Investor Capital”
- Business Credit Rating – “How To Build Your Business Credit Profile”
- Your Personal Credit Rating – “How To Build A High Credit Score.”

Download and use all of our free resources at <http://www.businessfinance.com>

To dive into the amazing amount of free information that has been produced for the United States Small Business Administration for the benefit of American Entrepreneurs please go to: <http://www.sba.gov/library/pubs.html>, you won't be disappointed that you did.

# Table of Contents

Is Being An Entrepreneur For You? .....	3
Why Small Businesses Fail .....	4
What are the similarities of successful entrepreneurs? .....	5
Assessing Your Skills, Education, and Experience .....	6
Finding a Niche .....	7
Buying a Business .....	8
Buying a Franchise .....	10
Getting Your Business Started.....	11
Types of Business Organizations.....	12
Regulations To Check Out.....	15
Protecting Your Ideas .....	16
Product Basics .....	19
Business Plan Outline .....	21
Your Office Space, To Lease or Not? .....	22
Tax Information .....	23
Business Insurance.....	26
Employer Considerations.....	27
Finding The Money You Need .....	28
How To Write A Business Loan Proposal .....	29
How Will Your Loan Request Be Reviewed? .....	30
SBA Loan Programs .....	31
Government Contracting Assistance.....	47
The Surety Bond Guarantee Program .....	48
The Small Business Innovation Research Program (SBIR) .....	50
Disaster Assistance .....	51
Local Sources Of Assistance .....	52
Marketing Basics.....	54
Marketing Research.....	56
Competitive Analysis.....	59
Marketing Plan .....	60
Advertising and PR .....	61
The Advertising Campaign.....	64
Fifteen Ideas For Promoting Your Company.....	65
Twelve High-Impact Marketing Programs .....	67
Target Market.....	71
Finding Employees .....	75
Glossary Of Small Business Terms .....	78
Remember To Say Thank You To Those Who Helped .....	116

## Is Being An Entrepreneur For You?

There is no way to eliminate all the risks associated with starting a small business. However, you can improve your chances of success with good planning and preparation. A good starting place is to evaluate your strengths and weaknesses as the owner and manager of a small business. Carefully consider each of the following questions.

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

How well do you get along with different personalities? Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers and professionals such as lawyers, accountants or consultants. Can you deal with a demanding client, an unreliable vendor or cranky staff person in the best interest of your business?

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

Do you have the physical and emotional stamina to run a business? Business ownership can be challenging, fun and exciting. But it's also a lot of work. Can you face twelve hour work days six or seven days a week?

How well do you plan and organize? Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules, production can help avoid many pitfalls.

Is your drive strong enough to maintain your motivation? Running a business can wear you down. Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation can make the business succeed and will help you survive slowdowns as well as periods of burnout.

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

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. Earning and growth potential are far less limited. A new venture is exciting. Running a business will provide endless variety, challenge and opportunities to learn.

## Why Small Businesses Fail

Success in business is never automatic. It isn't strictly based on luck although a little luck never hurts. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

Starting a small business is always risky, and the chances of success are slim. According to the U.S. Small Business Administration, over 50% of small businesses fail in the first year and 95% fail within the first five years.

1. Lack of industry and/or entrepreneurial experience
2. Insufficient working capital (money) and/or Poor credit arrangements
3. Lack of time commitment of owner and/or staff
4. Poor location and/or improper demographics
5. Poor inventory assessment and/or management
6. Over investment in non-production fixed assets
7. Commingling personal use of business funds
8. Unexpected growth with no plan to supply
9. Underestimation of Competition
10. Lower than projected sales volume

### More Reasons Why Small Businesses Fail

These figures aren't meant to scare you, but to prepare you for the rocky path ahead. Underestimating the difficulty of starting a business is one of the biggest obstacles entrepreneurs face. However, success can be yours if you are patient, willing to work hard, and take all the necessary steps.

### Do You Have What It Takes?

What does it take to be an entrepreneur? Which personality traits make for success? Let's see if you have what it takes.

**FICTION:** To be an entrepreneur you must be born that way.

**FACT:** Anyone can learn to operate like an entrepreneur.

Successful Entrepreneurs constantly study their craft and they work extremely hard. This is not a 9 to 5 job with two breaks and an hour for lunch. This is your business and you had best plan for sixty to eighty hour work-weeks until it is well off the ground. If you don't plan to read everything you can find about business and put in the kind of commitment it takes to succeed, then do yourself a favor and don't start a business!

## What are the similarities of successful entrepreneurs?

- persistence
- desire for immediate feedback
- inquisitiveness
- strong drive to achieve
- high energy level
- goal oriented behavior
- independent
- demanding
- self-confident
- calculated risk taker
- creative
- innovative
- vision
- commitment
- problem solving skills
- tolerance for ambiguity
- strong integrity
- highly reliable
- personal initiative
- ability to consolidate resources
- strong management and organizational skills
- very competitive
- change agent
- tolerance for failure
- passionate desire to work hard

Not everyone is cut out to be an entrepreneur. It takes a special talent. Some people have it and some don't. Before you invest time, energy, money and a piece of your heart, it's important to do some serious self-analysis. To answer such questions as:

1. Am I prepared to work hard and make sacrifices?
2. Am I self-disciplined?
3. Do I have management ability?
4. Am I experienced enough in this field?
5. What do I want out of life?
6. Are my goals realistic and attainable?

Entrepreneurs are persevering and not easily defeated. They thrive in a challenging environment and have a tremendous need to be in control. They turn diversity into opportunity. They are risk takers. They welcome responsibility, and they are willing and able to make decisions. Successful entrepreneurs are patient and able to wait out the sometimes slow beginnings of a business. They also are able to learn from their mistakes, trust their own judgment and have an optimistic outlook. Do those traits describe you?

## Assessing Your Skills, Education, and Experience

Your skills, education, and experience will provide you with tools that will help you to decide if you should start your own business.

The first step in your assessment is to make an honest appraisal of your personal skills and education. You should list everything, especially if you are unsure what type of business in which you want to become involved. Don't list any faults or doubts here. This is a place to remember all of the things that you know how to do well.

After you have identified your personal skills and education, focus on your business knowledge. If you know what you are interested in, list what you know about the field or industry. If you are well versed, simply outline the general areas. If you are not sure, you should list everything. Concentrate on specific business information rather than general life experience. All experience will be useful, but we can only use the business experience when we are making a decision about what skills you may need to develop in order to run your business.

The next step is to evaluate your decision making abilities. When you own your business, you are in charge, and many decisions will have to be made based on what you think. Not all of these decisions will have to be made immediately, but some of them will have to. If your normal response is to give problem solving to someone else, then you will probably have difficulty with running a business. Reflect on your life experiences. Write down two situations where you solved a problem and the decision you made worked well. Then write down two situations where the decisions you made did not work so well. Be sure to write down what you learned from these situations.

Last, identify your entrepreneurial skills. Successful entrepreneurs have a lot of initiative and also take risks, and they have learned from making their own mistakes. Taking a clear look at your source of motivation and your belief in yourself will help you to be prepared for the challenges that come with owning your own business. Probably the three most important factors on the road to Success are: the ability to be flexible, the willingness to change with the market as technology advances, and the ability to trust yourself. If you have all of these, you are about halfway there. The rest is:

- What do you feel are your main strengths?
- What do you feel are your more serious weaknesses?
- How do you think someone else might answer the above two questions about you?
- What talents do you possess and in what situations have you used them?
- How would you personally define the idea of having a job or being employed?

## Finding a Niche

A market in its entirety is too broad in scope for any but the largest companies to tackle successfully. The best strategy for a smaller business is to divide demand into manageable market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers.

There should be some particular products or services you are especially suited to provide. Study the market carefully and you will find opportunities. As an example, surgical instruments used to be sold in bulk to both small medical practices and large hospitals.

One firm realized that the smaller practices could not afford to sterilize instruments after each use like hospitals did, but instead simply disposed of them. The firm's sales representatives talked to surgeons and hospital workers to learn what would be more suitable for them. Based on this information, the company developed disposable instruments which could be sold in larger quantities at a lower cost.

Another firm capitalized on the fact that hospital operating rooms must carefully count the instruments used before and after surgery. This firm met that particular need by packaging their instruments in pre-counted, customized sets for different forms of surgery.

While researching your own company's niche, consider the results of your market survey and the areas in which your competitors are already firmly situated. Put this information into a table or a graph to illustrate where an opening might exist for your product or service. Try to find the right configuration of products, services, quality, and price that will ensure the least direct competition. Unfortunately, there is no universally effective way to make these comparisons. Not only will the desired attributes vary from industry to industry, but there is also an imaginative element that cannot be formalized. For example, only someone who had already thought of developing pre-packaged surgical instruments could use a survey to determine whether or not a market actually existed for them.

A well-designed database can help you sort through your market information and reveal particular segments you might not see otherwise. For example, do customers in a certain geographic area tend to purchase products that combine high quality and high price more frequently? Do your small business clients take advantage of your customer service more often than larger ones? If so, consider focusing on being a local provider of high quality goods and services, or a service-oriented company that pays extra attention to small businesses.

If you do target a new niche market, make sure that this niche does not conflict with your overall business plan. For example, a small bakery that makes cookies by hand cannot go after a market for inexpensive, mass-produced cookies, regardless of the demand.



# Buying a Business

Many find the idea of running a small business appealing, but lose their motivation after dealing with business plans, investors, and legal issues associated with new start-ups. For those disheartened by such risky undertakings, buying an existing business is often a simpler and safer alternative.

## Advantages

The main reason to buy an existing business is the drastic reduction in start-up costs of time, money, and energy. In addition, cash flow may start immediately thanks to existing inventory and receivables. Other benefits include pre-existing customer goodwill and easier financing opportunities, if the business has a positive track record.

## Disadvantages

The biggest block to buying a small business outright is the initial purchasing cost. Because the business concept, customer base, brands, and other fundamental work has already been done, the financial costs of acquiring an existing business is usually greater than starting one from nothing. Other possible disadvantages include hidden problems associated with the business and receivables that are valued at the time of purchase, but later turn out to be non-collectable. Good research is the key to avoiding these problems.

## Business Brokers

A business broker can introduce you to business opportunities that you might not see on your own. Most business brokers have the experience to help you structure the finances of the deal, help you with your search process and counsel you on the business operations. For example a business broker can walk you through the pitfalls of running a bakery versus a doughnut shop and be able to help you with the critical demographics. Is the doughnut shop on the right side of the road? Because no one buys doughnuts going home and no one wants to turn left across traffic on their way to work.

You should hire your own business broker. If you don't, then the broker represents the business seller. That doesn't mean you won't be treated fairly, but you may not get totally impartial counsel that may be critical to your success.

## Basics of Buying a Business

You will need to investigate the business you plan purchase. Here are a few key points:

1. Do a detailed review of the financial statements?
2. What are the monthly payables and receivables?
3. Who are the employees?
4. What is the customer demographic?
5. Is it in the right location
6. What are the appearance and condition of facilities?
7. Who are the competitors?
8. Is the registration, licenses, zoning up to date?

### Financial Statements

Review the financial statements and tax returns for at least the past three years. These should be audited from a CPA. Never settle for financial statements that are “reviewed” or “compiled”. These are based solely financial information supplied by the company and have not been audited by a certified public accountant professional.

### Payables and Receivables

Is the business paying its bills. Net 30 is standard. If bills are being paid 90 days or more past due, there may be cash flow problems. Are there any liens against the business?

### Employees

How critical are the employees to your success? What are their work habits? Are these people that you can work with? How long have they been with the company? Will they stay? What incentives do they have? Can they be easily replaced? What are their relationships with customers? Will customers follow employees that leave? Are there any employees who can take over if necessary?

### Customers

Customers are the most important asset are buying. Do they have a special relationship with the current owner the holds them to the business? How long has each customer been in place? What percentage of total income are they? Will they stay or leave? Are there contracts in place?

### Location

Is the location critical to the success of the business? How good is it? Is parking an issue? Does the business rely on walk-in traffic? What the future for the area?

### Appearance of facilities

How well is the business maintained? Is maintenance required?

### Competitors

What is the competition like? How competitive is the industry? Exactly who are the competitors? Are price wars a factor? Has the competition changed recently? Have any gone out of business? Why?

### Registrations, licenses, zoning

All business legal documents must be transferred. Don't do this without an attorney!

Lastly never consider buying a business without getting professional help. A business broker, a CPA and an attorney are critical investments in your buying a business success. To even consider buying a business without them is very foolish. Remember, “a fool and his money are soon parted”.

## Buying a Franchise

An important step in the small business start-up process is deciding whether or not to go into business at all. Each year, thousands of potential entrepreneurs are faced with this difficult decision. Because of the risk and work involved in starting a new business, many new entrepreneurs choose franchising as an alternative to starting a new, independent business from scratch.

Although the success rate for franchise-owned businesses is significantly higher than for independent businesses, no individual franchise is guaranteed to succeed. One of the biggest mistakes you can make is to hurry into business.

If you are concerned about the risk involved in a new, independent business venture, then franchising may be a good business option for you.

### What is Franchising?

A franchise is a legal and commercial relationship between the owner of a trademark, service mark, trade name, or advertising symbol and an individual or group wishing to use that identification in a business. The franchise governs the method of conducting business between the two parties. Generally, a franchisee sells goods or services supplied by the franchisor or that meet the franchisor's quality standards.

The franchisor provides the business expertise (marketing plans, management guidance, financing assistance, site location, training, etc.). The franchisee brings to the franchise operation the entrepreneurial spirit and drive necessary to make the franchise a success.

There are primarily two forms of franchising:

Product/trade name franchising and Business format franchising. In the simplest form, a franchisor owns the right to the name or trademark and sells that right to a franchisee. This is known as "product/trade name franchising." The more complex form, "business format franchising," involves a broader ongoing relationship between the two parties. Business format franchises often provide a full range of services, including site selection, training, product supply, marketing plans, and even assistance in obtaining financing.

To learn more about the advantages and disadvantages of franchising please read:

The SBA's "Evaluating franchise opportunities" at <http://www.sba.gov/library/pubs/mp-26.pdf>

The SBA's "Is Franchising For me? Workbook" at <http://www.sba.gov/opc/pubs/fran.pdf>

## Getting Your Business Started

Starting and managing a business takes motivation, desire and talent. It also takes research and planning.

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

Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success. Before starting out, list your reasons for wanting to go into business.

You need to determine what business is "right for you." Ask yourself these questions:

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

Then identify the niche your business will fill. Conduct the research to answer:

1. Is my idea practical and will it fill a need?
2. What is my competition?
3. What is my business advantage over existing firms?
4. Can I deliver a better quality service?
5. Can I create a demand for your business?

Now develop your plan is the pre-business checklist. You should answer:

1. What business am I interested in starting?
2. What services or products will I sell? Where will I be located?
3. What skills and experience do I bring to the business?
4. What will be my legal structure? (see overview below)
5. What will I name my business?
6. What equipment or supplies will I need?
7. What insurance coverage will be needed?
8. What financing will I need?
9. What are my resources?
10. How will I compensate myself?

Your answers will help you create a focused and well researched business plan. You must detail how the business will be operated, managed and capitalized.

# Types of Business Organizations

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

## Forms of Business Ownership

This decision will have long-term implications, so consult with an accountant and attorney to help you select the form of ownership that is right for you. Your choice will be based on:

1. Your vision regarding the size and nature of your business.
2. The level of control you wish to have.
3. The level of "structure" you are willing to deal with.
4. The business's vulnerability to lawsuits.
5. Tax implications of the different ownership structures.
6. Expected profit (or loss) of the business.
7. Whether or not you need to re-invest earnings into the business.
8. Your need for access to cash out of the business for yourself.
9. The risks of your personal assets from business liabilities.
10. Are their partners and/or investors that will be part of the business.

## Sole Proprietorships

The vast majority of small business start out as sole proprietorships ... very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

### Advantages of a Sole Proprietorship

1. Easiest and least expensive form of ownership to organize.
2. Sole proprietors are in complete control, within the law, to make all decisions.
3. Sole proprietors receive all income generated by the business to keep or reinvest.
4. Profits from the business flow-through directly to the owner's personal tax return.
5. The business is easy to dissolve, if desired.

### Disadvantages of a Sole Proprietorship

1. Unlimited liability and are legally responsible for all debts against the business.
2. Their business and personal assets are 100% at risk.
3. Have almost be ability to raise investment funds.
4. Are limited to using funds from personal savings or consumer loans.
5. Have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
6. Employee benefits such as owner's medical insurance premiums are not directly deductible from business income (partially deductible as an adjustment to income).

## Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, its hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

### Advantages of a Partnership

1. Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
2. With more than one owner, the ability to raise funds may be increased.
3. The profits from the business flow directly through to the partners' personal taxes.
4. Prospective employees may be attracted to the business if given the incentive to become a partner.

### Disadvantages of a Partnership

1. Partners are jointly and individually liable for the actions of the other partners.
2. Profits must be shared with others.
3. Since decisions are shared, disagreements can occur.
4. Some employee benefits are not deductible from business income on tax returns.
5. The partnership have a limited life; it may end upon a partner withdrawal or death.

Types of Partnerships that should be considered:

#### General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

#### Limited Partnership and Partnership with limited liability

"Limited" means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

#### Joint Venture

Acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such, and distribute accumulated partnership assets upon dissolution of the entity.

## **Corporations**

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique “entity”, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

### **Advantages of a Corporation**

1. Shareholders have limited liability for the corporation's debts or judgments against the corporations.
2. Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
3. Corporations can raise additional funds through the sale of stock.
4. A corporation may deduct the cost of benefits it provides to officers and employees.
5. Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

### **Disadvantages of a Corporation**

1. The process of incorporation requires more time and money than other forms of organization.
2. Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
3. Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

## **Subchapter S Corporations**

A tax election only; this election enables the shareholder to treat the earnings and profits as distributions, and have them pass thru directly to their personal tax return. The catch here is that the shareholder, if working for the company, and if there is a profit, must pay herself wages, and it must meet standards of "reasonable compensation". This can vary by geographical region as well as occupation, but the basic rule is to pay yourself what you would have to pay someone to do your job, as long as there is enough profit. If you do not do this, the IRS can reclassify all of the earnings and profit as wages, and you will be liable for all of the payroll taxes on the total amount.

## **Limited Liability Company (LLC)**

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration. LLC's must not have more than two of the four characteristics that define corporations: Limited liability to the extent of assets; continuity of life; centralization of management; and free transferability of ownership interests.

## **Regulations To Check Out**

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

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

### **Business Licenses**

There are many types of licenses. You need one to operate legally almost everywhere. If the business is located within an incorporated city limits, a license must be obtained from the city; if outside the city limits, then from the county. For more information contact the county or city office in your area or try these state web sites that offer business license information. You may also try going to your state Home Page, locating their "SEARCH" feature and typing in "business license" or "county information."

### **Certificate of Occupancy**

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

You may also try going to your state Home Page, locating their "SEARCH" feature and typing in "certificate of occupancy" or "county information".

### **Fictitious Business Name**

Businesses that use a name other than the owner's must register the fictitious name with the county as required by the Trade Name Registration Act. This does not apply to corporations doing business under their corporate name or to those practicing any profession under a partnership name. For more information contact your state or local government. You may also try going to your state Home Page, locating their "SEARCH" feature and typing in "trade name registration" or "county information".



## Protecting Your Ideas

It's not easy to think about ideas as property, but for some businesses it's vital. Most of us have had an idea for a new product or service only to dismiss, postpone, or neglect it. Sometimes we later find that others had the same idea, but took it to market before we did. By that time, it is too late for us to take advantage of the idea.

Ideas are relatively easy to come by, but inventions are more difficult. It takes knowledge, time, money, and effort to refine an idea into a workable invention, even on paper. Turning an invention into an innovation a new product accepted by the marketplace takes a lot of effort and a little luck. There are substantial barriers in the path of those who pursue innovation. Overcoming them requires careful planning and plenty of input from others.

Hundreds of thousands of inventors and innovators file each year for protection under U.S. patent, trademark and copyright laws. However, it can be hard to decide which of the three vehicles is most appropriate for the protection of a particular invention. Although a single product or service may require a patent, a trademark, and a copyright, each category protects a distinct aspect of a creative work or expression.

Patents, copyrights and trademarks, as well as know-how or trade secrets, are often collectively referred to as intellectual property. Many firms have such property without even being aware of it or of the need to take measures to protect it.

Many people's notions of intellectual property are unrealistic. Some believe, for example, that simply having a patent on a product will enable one to succeed in the marketplace. Consequently, they may spend thousands of dollars to obtain the exclusive rights to market something that no one wants or can afford to buy. Others may decide that intellectual property protection is not worth the trouble.

People who may not be interested in protecting their own rights must still take precautions to avoid infringing on the rights of others. This calls for more than the avoidance of copying. Some copying is unavoidable; but one can easily infringe on the rights of others without deliberately imitating specific features of goods or services.

### Trade Secrets

A trade secret is any piece of information used by a business that isn't known to the general public, including formulas, business plans, designs and procedures. State and federal laws protect trade secrets when other areas of intellectual property law don't offer adequate protection. An example is the formula for Coca-Cola, which remains a secret despite being over 100 years old. This formula cannot be patented because it is considered a recipe, but it can be protected under trade secret laws.

Trade secret law does not provide absolute protection. While the law prohibits competitors from stealing business secrets, they may be figured out by using reverse engineering. Secrets discovered via reverse engineering and then made public lose their protection.

## Copyright

A copyright is a form of legal protection for "original works of authorship." Screenplays, music, employee handbooks and commercial brochures are examples of work that is eligible for copyright protection, giving owners the exclusive right to reproduce, distribute, publicly perform and display their work. Legal protection is extended as soon as the work is created. Registration provides the owner with establishing public awareness of its use.

## Understanding Copyright Law

Need an answer that can't be found on the U.S. Copyright Office Web site? Copyright information in plain English can be found at Nolo.com. Visit the U.S. Copyright Office for answers to frequently asked questions about copyright law and usage. For Copyrights:

<http://www.copyright.gov/>

U.S. Library of Congress

James Madison Memorial Building

Washington, D.C. 20559

(202) 707-9100 - Order Line

(202) 707-3000 - Information Line

## Trademarks

For businesses, trademarks are one of the most valuable forms of intellectual property. A trademark is any word, combination of words, or symbol attached to a product or service. It is the chief means of identification for a product or service, which when marketed, becomes a brand. Because success for most businesses depends on how recognizable their brand becomes, taking the steps to protect trademarks from imitators is critical.

## Search, Registration and Filing

The U.S. Patent and Trademark Office is the primary source of patent and trademark registration protection used by U.S. and international businesses. To register a trademark:

<http://www.uspto.gov/ebc/indexebc.html>

U.S. Department of Commerce

Trademark Office

2021 Jefferson Davis Highway

Arlington, Virginia 22202

(703) 305-8341 or (800) 786-9199

## Federal vs. State

Federal intellectual property registration entitles the owner to use trademarks, patents and copyright throughout the United States, and provides some protection internationally as well. State governments also allow for the registration of intellectual property, although the protection provided is comparatively limited. Furthermore, most state governments will only register trademarks and will not allow the registration of copyrights or patents.

## Federal Registration

The U.S. Patent and Trademark Office is the primary source of patent and trademark registration protection used by U.S. and international businesses. The U.S. Copyright Office is the authority concerning U.S. Copyright law and filing procedures.

State Registration. In most states, intellectual property registrations are done through the Secretary of State's Office. Use Firstgov.com to find the authority in your state. Caution:

Federally registered trademarks may conflict with and supersede state registered business and product names. Businesses are encouraged to check for conflicts with federal trademarks.

### Intellectual Property

Intellectual property is often worth more to a business than its tangible assets. Consisting of business strategies, images, concepts and ideas, lawful protection of intellectual property predates the U.S. Constitution. Now protected by patents, trademarks, copyrights and trade secrets, businesses must take the appropriate steps to ensure that their intellectual property is kept safe from competing businesses, defecting partners and even employees.

Intellectual property law covers a very broad spectrum of legal issues involving contracts, patents, trademarks, copyrights and more. The level of expertise of lawyers specializing in these areas can vary from generalists in the field to experts in sub-specialties that may range from information technology ("IT") to entertainment law.

### Patents

To register a patent, contact:

Asst. Commissioner for Trademarks, Patent Applications

Washington, D.C. 20231

(800) 786-9199

<http://www.uspto.gov/ebc/indexebc.html>

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

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

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

## Product Basics

Products may be described in terms of their features and benefits. Features are product characteristics; benefits are customer needs served by those features. Some examples of features are size, color, horsepower, functionality, design, hours of business, and fabric content. Benefits are less tangible but always answer the customer's question: What's in it for me?

While product features are usually easy to define, product benefits can be trickier because they exist in the customer's mind. The most compelling product benefits are those that provide emotional or financial rewards. It's not the brighter smile that the toothpaste offers that is its benefit; it's what the smile might bring you (a good-looking mate, a better job, etc.).

Emotional rewards run the gamut of human emotions, but basically allow the buyer to feel better in some way. For example, sending flowers to a friend or family member allows the buyer to feel supportive or loving. Buying products made from recycled materials offers the buyer the chance to feel environmentally responsible.

Products that deliver financial rewards allow the buyer to save money (e.g., a discount long-distance phone plan) or make money (e.g., computer software for managing a home-based business).

### Discovering Your Product's Benefits

To identify your product's benefits, you must consider your customers' needs. Imagine yourself in your customers' shoes, talk to them directly, or conduct surveys asking about their needs and perceptions.

If possible, hire an independent firm to conduct a focus group with a sample group of customers to test your product for usability and desirability.

Examine customers who have purchased your product in the past. What do their customer profiles tell you about your product's benefits?

Once you have a basic sense of your product's benefits, you can set up systems to develop and track their evolution:

Ask customers for suggestions for improvement.

- Pay careful attention to customer complaints and prospect inquiries.
- Train and reward employees for questioning customers and prospects to learn what they like and don't like about your product.
- Watch your competitors. Do the changes in their product offerings suggest product benefits you hadn't yet considered?

Why is it important to understand my product's features and benefits?

Understanding product features and benefits allows you to:

1. Describe your products in terms relevant to your customers.
2. Differentiate explain how your product is different than the competition's, with different benefits.
3. Effectively choose pricing and positioning strategies. Refer to strategy ideas below in "Strategies that are based on features."

### Differentiation

Products may be highly unique (specialty products), virtually indistinguishable from competitors' products (commodity products), or in between these extremes. No level of uniqueness is necessarily better than any other, but they do require different marketing strategies. A potentially important strategy for specialty products is differentiation, which sets them apart from the competitors' products in the minds of customers. A thorough understanding of how your product's benefits compare to your competitors' allows you to compete effectively with them through differentiation.

Commodity Products Few, if any, perceived differences among competing products

Specialty Products Highly unique features compared to other products competing for buyers dollars

### Strategies that are based upon features

1. Introducing Identifying yourself as the first to offer a new product feature is a proven competitive strategy. For example, specifying a product as the first organic body lotion containing Vitamin E will position your company as a leader, at least for a while.
2. Improving/Modifying Instead of being at the head of the pack with a totally new feature, you might modify or improve your product's features, which creates the impression that your company cares about satisfying its customers. Modifying product features is a strategy many businesses use when a competitor has lowered prices. For example, if the maker of one organic body lotion lowers its price, the maker of another may add Vitamin E as a "new and improved" feature but keep its price the same. It is important to remember that modifying features usually leads to changes in benefits. Stay aware of the evolution of perceived benefits your product offers so you can use them in your marketing.
3. Grouping Often, features are grouped into different product models and prices escalating from a basic model to a "fully loaded" model. Automobiles, electronic devices, and vacation packages each offer features that may be added to a basic product model. Services can also be grouped in this fashion. For example, an accountant might offer a certain fee for preparing annual tax returns, another fee to also process payroll, and another to manage all of a client's financial affairs.

### Bar Coding

The Uniform Code Council, Inc., (not a government agency) assigns a manufacturer's ID code for the purposes of bar coding. Many stores require bar coding on the packaged products they sell. For additional information contact: Uniform Code Council Inc., P.O. Box 1244, Dayton, Ohio 45401, (513) 435-3870.

# Business Plan Outline

Breaking down the plan into several components helps make drafting it a more manageable task. For more help download our free workbook "How to prepare and present a successful funding request" at [www.businessfinance.com](http://www.businessfinance.com).

## Introduction

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

## Marketing

1. Discuss the products/services offered.
2. Identify the customer demand for your product/service.
3. Identify your market, its size and locations.
4. Explain how your product/service will be advertised and marketed.
5. Explain the pricing strategy.
6. Financial Management
7. Explain your source and the amount of initial equity capital.
8. Develop a monthly operating budget for the first year.
9. Develop an expected return on investment and monthly cash flow for the first year.
10. Provide projected income statements and balance sheets for a two year period.
11. Discuss your break-even point.
12. Explain your personal balance sheet and method of compensation.
13. Discuss who will maintain your accounting records and how they will be kept.
14. Provide "what if" statements that address alternative approaches to any problem that may develop.

## Operations

1. Explain how the business will be managed on a day-to-day basis.
2. Discuss hiring and personnel procedures.
3. Discuss insurance, lease or rent agreements, and issues pertinent to your business.
4. Account for the equipment necessary to produce your products or services.
5. Account for production and delivery of products and services.

## Concluding Statement

Summarize your business goals and objectives and express your commitment to the success of your business. Once you have completed your business plan, review it with a friend or business associate or a Service Corps of Retired Executives (SCORE) or Small Business Development Center (SBDC) counselor. Searchable databases of these free counselors are available at <http://www.businessfinance.com>.

## Your Office Space, To Lease or Not?

### Here are some questions to ask before signing a lease:

1. Does the lease specifically state the square footage of the premises? What is the total rentable square footage of the building?
2. Is the tenant's share of expenses based on total square footage of the building or the square footage leased by the landlord? Your share may be lower if it's based on the total square footage.
3. Do the base year expenses reflect full occupancy or are they adjusted to full occupancy (i.e., base year real estate taxes on an unfinished building are lower than in subsequent years)?
4. Must the landlord provide a detailed list of expenses, prepared by a CPA, to support increases?
5. Does the lease clearly give the tenant the right to audit the landlord's books or records?
6. If use of the building is interrupted, does the lease define the remedies available to the tenant, such as rent abatement or lease cancellation?
7. If the landlord does not meet repair responsibilities, can the tenant make the repairs, after notice to the landlord, and deduct the cost from the rent?
8. Is the landlord required to obtain non-disturbance agreements from current and future lenders?
9. Does the lease clearly define how disputes will be decided?

### The Lease terms you should know:

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

## Tax Information

Because tax laws can be extremely complex, small business owners are strongly encouraged to seek professional assistance. A good accountant or CPA (Certified Public Accountant) will help navigate through local, state and laws and also explain how to minimize future tax obligations.

Even if you retain professional tax assistance, your tax responsibilities are still solely your obligation. You should understand how the various tax systems impact your business. Although the following information is not comprehensive, it does provide an overview of the most common business tax requirements.

Business owners are required by law to withhold the following from the wages paid to employees: federal income taxes, state income taxes and FICA (Social Security) Insurance.

Income taxes will also be levied by the federal and state governments on earnings of any business. Therefore, each business must file an income tax return with both agencies. Businesses may be required to file estimated tax returns and pay estimated taxes on a quarterly basis.

For federal tax information, contact the U.S. Internal Revenue Service (IRS) You can go to IRS's website (<http://www.irs.gov>) or call your local IRS office to receive a number of publications that are available upon request to small businesses. One of the most helpful is Your Business Tax Kit, which includes data and forms for a Federal Employer Identification Number and a tax guide for small businesses that can be ordered by calling Forms and Publications at (800) 829-3676 or by visit to your local IRS office.

### Federal Self Employment Tax

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

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

### Unemployment Insurance Tax

Businesses are required by the state to pay unemployment insurance tax if the company has one or more employees for 20 weeks in a calendar year, or it has paid gross wages of \$1,500 or more in a calendar year. Go to your state home page to check the figures for your state. Unemployment insurance must be reported and returns made to the state.

### EIN

An Employer Identification Number, (EIN, sometimes called Federal Tax ID Number) is a nine-digit number assigned by the IRS. EINs are used by employers, sole proprietors,



corporations, partnerships, nonprofit associations, trusts, estates of decedents, government agencies, certain individuals, and other business entities.

You are required to obtain an EIN if you do one or more of the following:

1. Form a C or S corporation or partnership (in this case the EIN serves essentially the same purpose that a social security number does for a sole proprietorship)
2. Pay wages to one or more employees or File pension or excise tax returns

A sole proprietorship with no employees, pension plans, or excise taxes does not need an EIN. A sole proprietor can use the social security number for income tax, self-employment, and other tax purposes.

For more detailed information on how to determine whether you should obtain an EIN, refer to the IRS publication Understanding Your EIN. To obtain an EIN you must complete IRS Form SS-4. Banks require an EIN to open a corporate or partnership bank account.

### Payroll Taxes and Withholding Taxes

Employers are responsible for withholding taxes from employees' paychecks, sending them to the proper government agencies, and other employer tax obligations. The major employer paid taxes (FICA, federal unemployment, and state unemployment taxes) will be explained later in this section.

### Social Security and Medicare Taxes

The Federal Insurance Contributions Act (FICA) provides for a federal system of old-age, survivors, disability, and hospital insurance. The first three are financed by the social security tax, while hospital insurance is financed by the Medicare tax. To learn more about the five major benefits covered by Social Security taxes (retirement, disability, family benefits, survivors and Medicare), please refer to the Social Security Administration's Web site.

Employers must withhold social security and Medicare taxes from employees' wages and pay a matching amount. These taxes have different rates and only the social security tax has a wage base limit. There is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

### Federal Unemployment Tax

The Federal Unemployment Tax Act (FUTA), together with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only the employer pays FUTA tax; it is not deducted from the employee's wages. Generally, employers can take a credit against FUTA tax for amounts paid into state unemployment funds. This credit cannot be more than 5.4% of taxable wages. Those entitled to the maximum 5.4% credit have an effective FUTA tax rate of 0.8% after the credit. The IRS has tests to determine whether a particular business must pay FUTA tax.

### State Unemployment Tax

State unemployment taxes are also paid by the employer and are not deducted from the employee's wages. Each state has a different rate and different wage limits from which

the taxes are calculated. For information on state-specific unemployment taxes and contact information for the agency that administers your state's unemployment tax, use the Business Owner's Toolkit.

### Payroll Services

Generally, hiring a payroll service is a very good idea. Businesses with hourly employees or employees earning commissions can save time and money by using a payroll service. One of the chief benefits is avoiding costly mistakes in payroll processing like failing to remit payroll taxes in a timely manner. Payroll companies calculate the amount of each paycheck and the tax obligations for employees; print the checks; and provide reports.

### Federal Income Tax

Different business structures (sole proprietorship, partnership, corporation, or limited liability company) have different income tax requirements regarding filing dates, forms required, and tax rates and calculations.

Federal income tax is a pay-as-you-go tax. Business owners generally pay income taxes in quarterly estimated income tax payments. For more information on estimated income tax payments, refer to IRS Publication 505, Tax Withholding and Estimated Tax.

### Self-Employment Tax

Self-employment tax is a social security and Medicare tax for individuals who work for themselves, similar to social security and Medicare taxes withheld from the pay of wage earners. Social security benefits are available to self-employed persons just as they are to wage earners. Like federal income tax, self-employment taxes are paid through quarterly estimated tax payments. For more detailed information on self-employment tax, refer to IRS Publication 533, Self-employment Tax.

### State Taxes

Every state levies some form of tax on small businesses, but in some states some business structures (especially sole proprietorships) have little to no tax imposed. To learn more about tax structures in any given state, visit the Business Owner's Toolkit site or a list of taxing authorities in each state.

### Local Taxes

Local authorities may tax personal property like machinery, equipment, furniture, supplies, leased equipment, and even movable machinery used in a business. Some cities and municipalities also levy income taxes on any business operating within their borders. Your county government or local municipality can provide information about the specific taxes that apply in your area and instructions for registering your business.

### Sales and Use Tax

Sales taxes are added to the cost of a product or service and are generally paid by the customer. Most states and local taxing authorities impose a general sales tax on retail sales and certain services. Business owners are responsible for collecting these taxes and remitting them to the appropriate taxing authority. Goods purchased to resell from manufacturers or wholesalers are exempt from sales taxes because the tax will be paid by the retail customer. This is commonly referred to as a resale exemption.

## **Business Insurance**

Like home insurance, business insurance protects the contents of your business against fire, theft and other losses. It is prudent for any business to purchase a number of basic types of insurance. Some types of coverage are required by law, other 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 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 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 SBA loan programs. It can be used to provide continuity in operations during a period of ownership transition caused by the death or incapacitation 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.

**Office and Director** -Under some circumstances, officers and directors of a corporation may become personally liable for their actions on behalf of the company. This type of policy covers this liability.

**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.

## Employer Considerations

All businesses with employees are required to comply with state and federal regulations regarding the protection of employees. For information on state labor laws, work force availability, prevailing wages, unemployment insurance, unionization, benefits packages and employment services contact your state government.

Federal information may be obtained by contacting the U.S. Department of Labor

### Immigration Act

The Federal Immigration Reform and Control Act of 1986 requires all employers to verify the employment eligibility of new employees. The law obligates an employer to process Employment Eligibility Verification Form I-9. The Immigration and Naturalization Service Office of Business Liaison offers a selection of information bulletins and live assistance for this process through the Employer Hotline. In addition, INS forms and the Employer Handbook can be obtained by calling the Forms Hotline.

For Forms: (800) 870-3676

Employer Hotline: (800) 357-2099

### Health and Safety

The Federal Occupational Safety and Health Administration (OSHA) outlines specific health and safety standards employers must provide for the protection of employees. Many states have similar standards.

For state information contact your local OSHA office.

### Workers' Compensation

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

### Minimum Wage

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

## Finding The Money You Need

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

There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision.

**Personal savings:** The primary source of capital for most new businesses comes from savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.

**Friends and relatives:** Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest free or at a low interest rate, which can be beneficial when getting started.

**Banks and credit unions:** The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.

**Venture capital firms:** These firms help very high potential companies (companies with ability to grow to at least \$25 million in gross revenue) grow in exchange for equity or partial ownership. If your firm is not National or International in scope they will have no interest in you.

### Borrowing Money

It is often said that small business people have a difficult time borrowing money. This is not necessarily true.

Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests.

Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: High Risk!

To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk and that will mean having a good credit score. If your FICO score is below a 680 there is no point in going to the bank for a business loan.

For more help download our free workbook "How to prepare and present a successful funding request" at <http://www.businessfinance.com>

# How To Write A Business Loan Proposal

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

## General Information

- Business name, names of principals, Social Security number for each principal, and the business address.
- Purpose of the loan - exactly what the loan will be used for and why it is needed.
- Amount required - the exact amount you need to achieve your purpose.

## Business Description

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

## Management Profile

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

## Market Information

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

## Financial Information

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

## How Will Your Loan Request Be Reviewed?

When reviewing a loan request, the lender is primarily concerned about repayment. To help determine this ability, many loan officers will order a copy of your business credit report from a credit reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of your business.

Please download our free workbook: “How To Build Your Business Credit Rating”, available at <http://www.businessfinance.com>.

Using the credit report and the information you have provided, the lending officer will consider the following issues:

Have you invested savings or personal equity in your business totaling at least 25 percent to 50 percent of the loan you are requesting? (Lenders or investors will not finance 100 percent of your business.)

Do you have a sound record of credit worthiness as indicated by your credit report, work history and letters of recommendation? Having a principal of the business with a FICO score of 680 or above is very important.

Do you have sufficient experience and training to operate a successful business?

Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?

Does the business have sufficient cash flow to make the monthly payments?

Have you prepared a three (3) year cash flow and debt coverage projection?

For more help download our free workbook “How to prepare and present a successful funding request” at <http://www.businessfinance.com>

## **SBA Loan Programs**

The SBA offers a variety of financing options for small businesses.

The Small Business Administration (SBA) is the largest source of long term small business financing in the nation. In order to determine whether you qualify for, or if an SBA business loan best suits your financing needs, please read this material carefully. If you have further questions, please contact your banker, one of the active SBA guaranteed lenders, or an SBA loan officer.

### **The 7(a) Loan Guaranty Program**

The 7(a) Loan Guaranty Program is the SBA's primary loan program. The SBA reduces risk to lenders by guaranteeing major portions of loans made to small businesses. This enables the lenders to provide financing to small businesses when funding is otherwise unavailable on reasonable terms.

The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide range of financing needs.

When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guaranty. SBA backing on the loan is then requested by the lender. 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 would not otherwise obtain.

To qualify for an SBA guaranty, a small business must meet the 7(a) criteria, and the lender must certify that it could not provide funding on reasonable terms except with an SBA guaranty. The SBA can then guarantee as much as 85 percent on loans of up to \$150,000 and 75 percent on loans of more than \$150,000. In most cases, the maximum guaranty is \$1 million. Exceptions are the International Trade, DELTA and 504 loan programs, which have higher loan limits. The maximum total loan size under the 7(a) program is \$2 million.

#### **How it Works**

You submit a loan application to a lender for initial review. If the lender approves the loan subject to an SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the nearest SBA office. After SBA approval, the lending institution closes the loan and disburses the funds. You make monthly loan payments directly to the lender. As with any loan, you are responsible for repaying the full amount of the loan.

There are no balloon payments, prepayment penalties, application fees or points permitted with 7(a) loans. Repayment plans may be tailored to each business.



### Use of Proceeds

You can use a 7(a) loan to: expand or renovate facilities; purchase machinery, equipment, fixtures and leasehold improvements; finance receivables and augment working capital; refinance existing debt with compelling reason; finance seasonal lines of credit; construct commercial buildings; and/or purchase land or buildings.

### Terms, Interest Rates and Fees

The length of time for repayment depends on the use of the proceeds and the ability of your business to repay: usually five to 10 years for working capital, and up to 25 years for fixed assets such as the purchase or major renovation of real estate or purchase of equipment (not to exceed the useful life of the equipment).

Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate\* for loans with maturities of less than seven years and up to 2.75 percent for seven years or longer. For loans under \$50,000, rates may be slightly higher.

The SBA charges the lender a nominal fee to provide a guaranty, and the lender may pass this charge on to you. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. 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 where the portion that the SBA guarantees is \$150,000 or less, the guaranty fee is 2 percent of the guaranteed portion. On loans with maturities of more than one year, where the SBA's portion exceeds \$150,000 but not more than \$700,000, the guaranty fee is 3 percent, and it is 3.5 percent on loans over \$700,000.

### Collateral

You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required. However, in most cases a loan will not be declined where insufficient collateral is the only unfavorable factor.

### Eligibility

Your business generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous three years. Loans cannot be made to businesses engaged in speculation or investment.

### Maximum Size Standards

Manufacturing from 500 to 1,500 employees

Wholesaling - 100 employees Services - from \$2.5 million to \$21.5 million in annual receipts

Retailing from \$5 million to \$21 million

General construction - from \$13.5 million to \$17 million

Business Start-Up, Where To Begin & How To Grow

Special trade construction - average annual receipts not to exceed \$7 million  
Agriculture from \$0.5 million to \$9 million

#### What You Need 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
- Signed personal financial statements
- Personal resume(s)

#### What the SBA Looks for:

1. Good character
2. Management expertise and commitment necessary for success
3. 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)
4. Feasible business plan
5. Adequate equity or investment in the business
6. Sufficient collateral
7. Ability to repay the loan on time from the projected operating cash flow

### **Special Loan Guaranty Programs 7(a) Program**

There are a number of special loan guaranty programs under the 7(a) program that address specific needs of start-up or established businesses. They are governed, for the most part, by the same rules, regulations, fees, interest rates, etc., as the regular 7(a) loan guaranty. Your lender can advise you of any variations.

### **Low Documentation Loan (LowDoc)**

LowDoc is one of SBA's most popular programs. Once you have met your lender's requirements for credit, LowDoc offers a simple, one-page SBA application form and rapid turnaround on approvals for loans up to \$150,000 (for loans over \$50,000, you must also provide a copy of U.S. Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years). The SBA will guarantee up to 85 percent of the loan amount. Completed applications are processed quickly by the SBA, usually within two or three business days. Proceeds may not be used to repay certain types of existing debt. Business start-ups, as well as businesses with average annual sales for the past three years not exceeding \$5 million and with 100 or fewer employees, including affiliates, are eligible.

## **SBAExpress (formerly FA\$TRAK)**

SBAExpress, formerly SBA's FA\$TRAK, is available for loans up to \$150,000. The program authorizes SBA preferred lenders to use mostly their own forms, analyses and procedures to process, service and liquidate SBA guaranteed loans. The SBA guarantees up to 50 percent of an SBAExpress loan. Loans under \$25,000 do not require collateral. This is a change from the FA\$TRAK requirements. 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 five years.

## **The Export Working Capital Loan**

The Export Working Capital Program is a line of credit for financing foreign accounts receivable. It is a transaction-based program and can be revolving or nonrevolving. The SBA provides a 90 percent guarantee to the lender. The business must have been in operation for at least 12 months prior to the application, and the proceeds can be used to finance materials and labor needed to manufacture or purchase goods and services for sale in foreign markets, including such items as consulting services, overseas travel to establish a market, and participation at trade shows. Funds cannot be used to refinance existing debt or purchase fixed assets. The maturity is generally 12 months or less but can be renewed up to a total of 36 months.

## **International Trade Loan**

This program provides short term and long term financing to small businesses that are engaged in international trade, preparing to engage in international trade, or adversely affected by competition from imports. The SBA can guarantee up to \$1.25 million for a combination of fixed asset financing and permanent working capital.

## **Defense Loan and Technical Assistance (DELTA)**

DELTA is a joint effort of the SBA and the Department of the Defense to provide financial and technical assistance to defense-dependent small firms affected by defense reductions. The goal is to help affected small firms diversify into the commercial market while remaining a part of the defense industrial base. Reductions affecting business may be the result of any number of actions, such as cuts in defense spending, termination of defense contracts or the closure or realignment of military installations.

SBA may guarantee 75 percent of a loan up to \$1.25 million under the 7(a) program, or \$1 million under the 504 program. Technical assistance, including help in preparation of a business plan and loan application package, is available through Small Business Development Centers.

## **SBA 504 Loan Program**

504 is the SBA's economic development instrument that supports American small business growth and helps communities through business expansion and job creation. The SBA 504 loan program provides long term, fixed rate, subordinate mortgage financing for acquisition and/or renovation of capital assets including land, buildings and equipment. Virtually all types of for-profit small businesses are eligible for this program.

The SBA 504 loan is distinguished from other SBA loan programs in these ways:

Business Start-Up, Where To Begin & How To Grow

- Lower down payment; allows a business to conserve valuable operating capital by injecting just 10% of total project cost.
- Fixed interest rate; borrower knows cost of occupancy for the next 20 years. Rate is usually below market rate.
- All project 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, legal, appraisal, environmental and bridge loan fees. Closing costs may be financed.
- Collateral is typically assets financed; allows other assets to be free of liens and available to secure other needed financing.
- Long term: real estate loans are 20-year term, heavy equipment 10- or 20-year terms and are self amortizing.
- 504 program encourages banks and other lenders to make loans in first position on reasonable terms, helps them retain growing customers, and provides CRA credit.
- 504 program benefits the borrower's community through job creation and retention.

Businesses that receive 504 loans are:

1. Small - net worth under \$6 million, net profit after taxes under \$2 million, or meet other SBA size standards.
2. Organized as for profit.
3. Any type of business - retail, service, wholesale or manufacturing.

The SBA's 504 lending intermediaries, Certified Development Companies (CDCs) serve your community to finance business expansion needs through 504. Its professional staff works directly with you to tailor a financing package that meets program guidelines and the credit capacity of your business. The 504 Loan Program is the first national financing program specifically designed for expanding small business whose investment will create jobs.

### **The Certified and Preferred Lenders Program**

The most active and expert lenders qualify for the SBA's Certified and Preferred Lenders Program. Participants are delegated partial or full authority to approve loans, which results in faster service. Certified lenders are those that have been heavily involved in regular SBA loan guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround on their applications (they may also use regular processing).

Certified lenders account for 10 percent of all SBA business loan guaranties. Preferred lenders are chosen from among the SBA's best lenders and enjoy full delegation of lending authority. This authority must be renewed at least every two years, and the lender's portfolio is examined by the SBA periodically. Preferred loans account for 18 percent of SBA loans. For list of certified/preferred lenders in your area contact your local SBA office.

## **The 7(M) Microloan Program**

These loans are provided directly by a network of intermediaries approved by the SBA for the purpose of making microloans (from \$100 up to \$35,000) to small businesses for the purchase of machinery, equipment, furniture, fixtures, inventory and also for working capital. These intermediaries also provide technical and management assistance to the owners. Most small businesses who are unable to obtain funding through conventional sources or the other SBA guaranteed loan programs should contact the microloan lenders in their area.

## **The Small Business Investment Company (SBIC) Program**

There are a variety of alternatives to bank financing for small businesses, especially business start-ups. The Small Business Investment Company Program is the gap between the availability of venture capital and the needs of small businesses that are either starting or growing. Licensed and regulated by the SBA, SBICs are privately owned and managed investment firms that make capital available to small businesses through investments or loans. They use their own funds plus funds obtained at favorable rates with SBA guaranties and/or by selling their preferred stock to the SBA. SBICs are for profit firms whose incentive is to share in the success of a small business. In addition to equity capital and long term loans, SBICs provide debt-equity investments and management assistance. The SBIC Program provides funding to all types of manufacturing and service industries. Some investment companies specialize in certain fields, while others seek out small businesses with new products or services because of the strong growth potential. Most, however, consider a wide variety of investment opportunities.

## **Community Adjustment & Investment Program**

The Community Adjustment & Investment Program (CAIP) was created to help communities that suffered job losses due to changing trade patterns following the North American Free Trade Agreement (NAFTA). The North American Development Bank has partnered with the SBA and the U.S. Department of Agriculture to make credit available to businesses in eligible communities to create or retain jobs. Business applicants must be able to demonstrate that the loan or loan guaranty will be used to create or preserve at least one job for every \$35,000 in loans over a 24-month period.

## **SBA Pre-Qualification (Pre-Qual) Pilot Loan Program**

SBA Pre-Qualification Pilot Loan (Pre-Qual) Program was developed to provide substantive support and assistance in the small business loan application process to those segments of the small business community that traditionally may have been underserved by the lending community.

The Pre-Qual concept was originally introduced as the Women's PreQualification Pilot Loan Program in June 1994. A Minority PreQualification Pilot Loan Program followed in April 1995. In July 1998, these programs were combined under an umbrella Pre-Qual program to more aggressively market the SBA's loan programs to a wider variety of underserved markets.

The new combined Pre-Qualification Pilot Loan Program was developed primarily to address the following markets, identified by SBA as underserved, via traditional lending programs: women, veterans and minority-owned businesses, as well as exporters, rural markets and certain designated geographical areas and industries.

The Pre-Qual concept revolves around intermediaries who help market the SBA's loan programs and assist prospective borrowers in assembling a viable loan application package.

To be eligible, a prospective business must be 51 percent or more owned by veterans, women and/or minorities. Export-eligible loans are those made with the intention of significantly expanding existing export markets or developing new export markets. With respect to rural markets, and other specially designated geographical areas or industries, contact your local SBA office for specific requirements.

The maximum loan amount under this program is \$250,000. If a borrower currently has an SBA loan and the combined loans required as a result of this program are more than \$250,000, the request is to be processed through the regular guaranty program.

The Pre-Qualification Loan Program is a 7(a) loan program. Therefore all other terms, conditions and requirements of the 7(a) program apply as prescribed by SBA's policies and regulations

## **Micro-Loans**

The MicroLoan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

### **Terms, Interest Rates And Fees:**

The maximum term allowed for a microloan is six years. Loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury.

### **Collateral**

Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a microloan should be aware that intermediaries will generally require some type of collateral, and the personal guarantee of the owner.

### **Technical Assistance**

Each intermediary is required to provide business based training and technical assistance to its microborrowers. Individuals and small businesses applying for microloan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

## **Certified Development Company (504) Loan Program**

The CDC/504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area. (Find the CDC in your area.)

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

### **Maximum Debenture**

The maximum SBA debenture is \$1,000,000 for meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$35,000 provided by the SBA.

The maximum SBA debenture is \$1.3 million for meeting a public policy goal. The public policy goals are as follows:

- Business district revitalization
- Expansion of exports
- Expansion of minority business development
- Rural development
- Enhanced economic competition
- Restructuring because of federally mandated standards or policies
- Changes necessitated by federal budget cutbacks
- Expansion of small business concerns owned and controlled by veterans
- Expansion of small business concerns owned and controlled by women

### **What 504 Loan Funds May Be Used For:**

Proceeds must be used for fixed assets such as: purchasing land and improvements, including buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

### **Terms, Interest Rates And Fees:**

Interest rates are an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total three (3) percent of the debenture and may be financed with the loan.

### **Collateral:**

Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required.

### Eligible Businesses:

To be eligible, the business must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$7 million and does not have an average net income in excess of \$2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

## **Other Aspects Of The SBA Loan Programs**

### Character Considerations:

SBA must determine if the principals of each applicant firm have historically shown the willingness and ability to pay their debts and whether they abided by the laws of their community. The Agency must know if there are any factors which impact on these issues. Therefore, a "Statement of Personal History" is obtained from each principal.

In addition to credit and eligibility criteria, an applicant should be aware of the general types of terms and conditions they can expect if SBA is involved in the financial assistance. The specific terms of SBA loans are negotiated between an applicant and the participating financial institution, subject to the requirements of SBA. In general, the following provisions apply to all SBA 7(a) loans. However, certain Loan Programs or Lender Programs vary from these standards.

### Maximum Loan Amounts

SBA's 7(a) Loan Program has a maximum loan amount of \$2 million dollars. SBA's maximum exposure is \$1 million. Thus, if a business receives an SBA guaranteed loan for \$2 million, the maximum guaranty to the lender will be \$1 million or 50 percent.

### The Basic 7(A) Loan Program Maturity:

Loan maturities are based on: the ability to repay, the purpose of the loan, and the useful life of the assets financed. Maximum loan maturities have been established: twenty-five (25) years for real estate and equipment; and seven (7) years for working capital.

### Interest Rates Applicable To Sba 7(A) Loans

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are tied to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans of \$50,000 or more must not exceed Prime Plus 2.25 percent if the maturity is less than 7 years, and Prime Plus 2.75 percent if the maturity is 7 years or more.

For loans between \$25,000 and \$50,000, maximum rates must not exceed Prime Plus 3.25 percent if the maturity is less than 7 years, and Prime Plus 3.75 percent if the maturity is 7 years or more.

For loans of \$25,000 or less, the maximum interest rate must not exceed Prime Plus 4.25 percent if the maturity is less than 7 years, and Prime Plus 4.75 percent, if the maturity is 7 years or more.



Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. It is calculated quarterly and published in the "Federal Register." The lender and the borrower negotiate the amount of the spread which will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent, (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

### Guaranty Percentages

For those applicants that meet the SBA's credit and eligibility standards, the Agency can guaranty up to 85 percent of loans of \$150,000 and less, and up to 75 percent of loans above \$150,000 (generally up to a maximum guaranty amount of \$1,000,000). This standard applies to most variations of the 7(a) Loan Program. However, SBAExpress loans carry a maximum guaranty of 50 percent guaranty. The Export Working Capital Loan Program carries a maximum of 90 percent guaranty.

### Fees Associated With Sba Loans

To offset the costs of the SBA's loan programs to the taxpayer, the Agency charges lenders a guaranty and a servicing fee for each loan approved. These fees can be passed on to the borrower once they have been paid by the lender. The amount of the fees are determined by the amount of the loan guaranty.

Effective October 1, 2002, when the loan amount is \$150,000 or less, the guaranty fee will be 1 percent of the guaranteed portion. Lenders are permitted to retain 25 percent of this fee (25 basis points). This is only applicable to loans of \$150,000 or less. For loans more than \$150,000 but up to and including \$700,000, a 2.5 percent guaranty fee will be charged. For loans greater than \$700,000, a 3.5 percent guaranty fee will be charged. This is a temporary reduction that is in effect for a two year period for all loans approved on or after October 1, 2002.

The annual on-going servicing fee for all 7(a) loans approved during the 2-year period beginning October 1, 2002, shall be 0.25 percent of the outstanding balance of the guaranteed portion of the loan. The legislation provides for this fee to remain in effect for the term of the loan.

### Prohibited Fees:

Processing fees, origination fees, application fees, points, brokerage fees, bonus points, and other fees that could be charged to an SBA loan applicant are prohibited. The only time a commitment fee may be charged is for a loan made under the Export Working Capital Loan Program.

### Prepayment Penalties

Effective for all loans where the applications were received by the lender on or after December 22, 2000, a new prepayment charge paid by the borrower to SBA ("subsidy recoupment fee") has been added for those loans that meet the following criteria:

1. have a maturity of 15 years or more where the borrower is prepaying voluntarily;

2. the prepayment amount exceeds 25 percent of the outstanding balance of the loan;  
AND
3. the prepayment is made within the first 3 years after the date of the first disbursement (not approval) of the loan proceeds.

The prepayment fee calculation is as follows:

1. during the first year after disbursement, 5 percent of the amount of the prepayment;
2. during the second year after disbursement, 3 percent of the amount of the prepayment; or
3. during the third year after disbursement, 1 percent of the amount of the prepayment.

#### Size:

The Small Business Act defines an eligible small business as one that is independently owned and operated and not dominant in its field of operation. The Act also states that in determining what is a small business, the definition shall vary from industry to industry to adequately reflect industry differences. The SBA has therefore developed size standards that define the maximum size of an eligible small business.

If a potential borrower is close to these standards, size eligibility should be discussed with the local SBA office. Also note that the standards for a particular business may change from time to time and some exceptions do apply.

When affiliations exist with other companies (for example, through common ownership, directorships, or by contractual arrangements), the primary business activity must be determined both for the applicant business as well as for the entire affiliated group. In order to be eligible for financial consideration, the applicant must meet the size standard for its primary business activity and the affiliated group must meet the standard for its primary business activity.

#### Type Of Business

The vast majority of businesses are eligible for financial assistance from the SBA. However, applicant businesses must operate for profit; be engaged in, or propose to do business in, the United States or its possessions; have reasonable owner equity to invest; and, use alternative financial resources first including personal assets. It should be noted that some businesses are ineligible for financial assistance.

Certain other considerations apply to the types of businesses and applicants eligible for SBA loan programs.

#### Business Types and Applicants with Additional Considerations

FRANCHISES are eligible except in situations where a franchisor retains power to control operations to such an extent as to be tantamount to an employment contract. The franchisee must have the right to profit from efforts commensurate with ownership.

RECREATIONAL FACILITIES AND CLUBS are eligible provided: (a) the facilities are open to the general public, or (b) in membership only situations, membership is not selectively denied to any particular group of individuals and the number of memberships is not restricted either as a whole or by establishing maximum limits for particular groups.

FARMS AND AGRICULTURAL BUSINESSES are eligible; however, these applicants should first explore the Farm Service Agency (FSA) programs, particularly if the applicant has a prior or existing relationship with FSA.

FISHING VESSELS are eligible; however, those seeking funds for the construction or reconditioning of vessels with a cargo capacity of five tons or more must first request financing from the National Marine Fisheries Service (NMFS), a part of the Department of Commerce.

MEDICAL FACILITIES hospitals, clinics, emergency outpatient facilities, and medical and dental laboratories are eligible. Convalescent and nursing homes are eligible, provided they are licensed by the appropriate government agency and services rendered go beyond those of room and board.

An Eligible Passive Company (EPC) is a small entity which does not engage in regular and continuous business activity. An EPC must use loan proceeds to acquire or lease, and/or improve or renovate real or personal property that it leases to one or more Operating Companies for conducting the Operating Company's business. The EPC must comply with the conditions set forth in 13 CFR Sec 120.111.

CHANGE OF OWNERSHIP Loans for this purpose are eligible provided the business benefits from the change. In most cases, this benefit should be seen in promoting the sound development of the business or, perhaps, in preserving its existence. Loans cannot be made when proceeds would enable a borrower to purchase: (a) part of a business in which it has no present interest or (b) part of an interest of a present and continuing owner. Loans to effect a change of ownership among members of the same family are discouraged.

ALIENS are eligible; however, consideration is given to the type of status possessed, e.g., resident, lawful temporary resident, etc. in determining the degree of risk relating to the continuity of the applicant's business. Excessive risk may be offset by full collateralization. The various types of visas may be discussed in more detail with the local SBA office.

PROBATION OR PAROLE applications will not be accepted from firms where a principal (any one of those required to submit a personal history statement, SBA Form 912):

1. is currently incarcerated, on parole, or on probation;
2. is a defendant in a criminal proceeding; or
3. whose probation or parole is lifted expressly because it prohibits an SBA loan.

This restriction would not necessarily preclude a loan to a business, where a principal had responded in the affirmative to any one of the questions on the Statement of Personal History. These judgments are made on a case by case evaluation of the nature, frequency, and timing of the offenses. Fingerprint cards (available from the local SBA office) are required any time a question on the form is answered in the affirmative.

## INELIGIBLE BUSINESSES:

Businesses cannot be engaged in illegal activities, loan packaging, speculation, multi sales distribution, gambling, investment or lending, or where the owner is on parole.

Specific types of businesses not eligible include:

**REAL ESTATE INVESTMENT** firms exist when the real property will be held for investment purposes as opposed to loans to otherwise eligible small business concerns for the purpose of occupying the real estate being acquired.

**OTHER SPECULATIVE ACTIVITIES** are those firms developing profits from fluctuations in price rather than through the normal course of trade, such as wildcatting for oil and dealing in commodities futures, when not part of the regular activities of the business. Dealers of rare coins and stamps are not eligible.

**LENDING ACTIVITIES** include banks, finance companies, factors, leasing companies, insurance companies (not agents), and any other firm whose stock in trade is money.

**PYRAMID SALES PLANS** are characterized by endless chains of distributors and sub-distributors where a participant's primary incentive is based on the sales made by an ever increasing number of participants. Such products as cosmetics, household goods, and other soft goods lend themselves to this type of business.

**ILLEGAL ACTIVITIES** are by definition those activities which are against the law in the jurisdiction where the business is located. Included in these activities are the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that permits illegal prostitution.

**GAMBLING ACTIVITIES** include any business whose principal activity is gambling. While this precludes loans to race tracks, casinos, and similar enterprises, the rule does not restrict loans to otherwise eligible businesses, which obtain less than one-third of their annual gross income from either: 1) the sale of official state lottery tickets under a state license, or 2) legal gambling activities licensed and supervised by a state authority.

**CHARITABLE, RELIGIOUS, OR OTHER NON-PROFIT** or eleemosynary institutions, government-owned corporations, consumer and marketing cooperatives, and churches and organizations promoting religious objectives are not eligible.

## USE OF PROCEEDS

7(a) loan proceeds may be used to establish a new business or to assist in the operation, acquisition or expansion of an existing business. These may include (non-exclusive):

1. To purchase land or buildings, to cover new construction as well as expansion or conversion of existing facilities;
2. To acquire equipment, machinery, furniture, fixtures, supplies, or materials;
3. For long term working capital including the payment of accounts payable and/or for the purchase of inventory;

4. To refinance existing business indebtedness which is not already structured with reasonable terms and conditions;
5. For short term working capital needs including: seasonal financing, contract performance, construction financing, export production, and for financing against existing inventory and receivable under special conditions; or
6. To purchase an existing business.

#### INELIGIBLE USE OF PROCEEDS

There are certain restrictions for the use of SBA loans. The following is a list of purposes which SBA loans can not finance:

1. To refinance existing debt where the lender is in a position to sustain a loss and SBA would take over that loss through refinancing;
2. To effect a partial change of business ownership or a change that will not benefit the business;
3. To permit the reimbursements of funds owed to any owner. This includes any equity injection, or injection of capital for the purposes of the businesses continuance until the loan supported by SBA is disbursed;
4. To repay delinquent state or federal withholding taxes or other funds that should be held in trust or escrow; and
5. For a non sound business purpose.

#### AVAILABILITY OF FUNDS FROM OTHER SOURCES:

The Federal Government does not extend credit to businesses where the financial strength of the individual owners or the company itself is sufficient to provide all or part of the financing. Therefore, the utilization of both the business and personal financial resources is reviewed as part of the eligibility criteria. If business and personal resources are found to be excessive, the business will be required to be use those resources in lieu of part or all of the requested loan proceeds.

#### SBA LowDoc

Further streamlines the making of small business loans.

- The maximum loan-\$150,000.
- Calls for a response from the SBA within 36 hours of receiving a complete application.
- Guaranty percent follows 7(a) policy
- How it Works
- Interest Rates
- Collateral
- Old vs. New
- Eligibility
- LowDoc Processing Centers

#### How It Works

Once a small business borrower meets the lender's requirements for credit, the lender may request a guaranty from the SBA through SBALowDoc procedures. It's a quick, two-step process:

The borrower completes the front of the SBA's one-page application, and the lender completes the back.

The lender submits a complete application to the SBA and receives an answer within 36 hours.

#### Interest Rates

Interest rates can be negotiated between the borrower and lender, may be fixed or variable, are tied to the prime rate (as published in the Wall Street Journal), and may not exceed the following SBA maximums:

Follows 7(a) Interest Rate structure

#### Collateral

To secure the loan, the borrower must pledge available business and personally owned assets. Loans are not declined when inadequate collateral is the only unfavorable factor. Personal guaranties of the principals are required.

#### Maturity

Length of time for repayment depends on

#### Ability to repay, and

The use of the loan proceeds.

Maturity is usually 5 to 10 years. For fixed-asset loans it can be up to 25 years.

#### Eligibility

A business is usually eligible for the SBA LowDoc if

The purpose of the loan is to start or grow a business;

The existing business employs no more than 100 people, has average annual sales for the preceding three years not exceeding \$5 million, and the business including affiliates; the business and its owners have good credit; and the business owners are of good character.

#### Issue: SBA LowDoc

1. Loan Limit: \$150,000
2. Maximum SBA
3. Guaranty %: 85%
4. Guaranty Fee: 1% on Guaranteed Portion
5. Eligibility Decision: Relies Heavily on Lender Checklist
6. But SBA Still Reviews
7. Revolving Lines
8. of Credit: Not permitted
9. Turnaround Time: 100% Within 36 Hours
10. Forms: Revised 1 Page Application Form That Requires More Data, But Same for ALL SBA LowDoc Loans Regardless of Amount
11. Collateral: Follows 7(a) Policy Lack of available collateral will not be the sole basis for decline of any loan

12. Credit Decision: By SBA With Credit Scoring
13. Reconsideration: Permitted in Field Offices Under SBA LowDoc or Regular 7(a) Policies and Procedures.
14. Secondary Market: Can Be Sold
15. Lender Oversight: Field Offices Responsible for Lender Review as Coordinated with OFA and OFO in HQ
16. Liquidation: Lender Liquidates Non-Realty BEFORE Buyback

#### LowDoc Processing Centers

For questions concerning SBA LowDoc Processing, please contact a LowDoc processing center:

LowDoc Processing Center in Hazard, KY –  
Phone (606) 436-0801;  
Fax: 606-435-2400 (for Lender Use Only)

LowDoc Processing Center in Sacramento, CA –  
Phone: 916-930-2444;  
Fax: 916-930-2180 (for Lender Use Only)

## The Financial Six C's

**Character** The degree to which a borrower feels a moral obligation to pay his/her debts, measured by the credit and payment history.

**Capacity to pay** A subjective determination made by a lender based upon an analysis of the borrower's financial statements and other information.

**Capital** The amount of capital in a business is equal to the total of capital from debt and equity. Lenders prefer low debt-to-asset and debt-to-worth ratios and high current ratios. These indicate financial stability.

**Collateral** An asset owned by the borrower, but promised to a lender against non-payment of the loan. The amount of collateral varies from lender to lender. The closer the collateral value is to the loan amount, the more comfortable the lender will be that the loan will be repaid.

**Conditions** General economic, geographic and industry,

**Confidence** A successful borrower instills confidence in the lender by addressing all the lender's concerns on the other Five C's. Their loan application sends the message that the company is professional, with an honest reputation, a good credit history, reasonable financial statements, good capitalization and adequate collateral.

## Government Contracting Assistance

The federal government is the largest buyer in the world and small businesses are often at a disadvantage when trying to win federal contracts, but the U.S. Small Business Administration (SBA) can help overcome the barriers. Working closely with federal agencies and the nation's leading large contractors, the SBA works to ensure that small businesses obtain a fair share of government contracts and subcontracts. The SBA has a number of programs to help small firms do business with the federal government:

Through the Prime Contracts Program the SBA helps to increase the small business share of government contracts. It also advocates for the breakout of items purchased through full and open competition. SBA procurement center representatives (PCRs) work to expand contracting opportunities for small businesses. PCRs review contracting actions at major federal procurement centers, review the subcontracting plans, recommend contracting sources and provide counseling.

There are two types of PCRs: traditional and breakout. Traditional PCRs work to increase the number of procurements set aside for small businesses. Breakout PCRs work to remove components or spare parts from sole source procurements to procurements through open competition, which generates savings for the federal government.

The Subcontracting Assistance Program promotes the full utilization of small businesses by the nation's major prime contractors. The Agency's Commercial Marketing Representatives (CMRs) concentrate on large businesses that have one or more federal contracts in excess of \$500,000.

The CMR will review these large companies' subcontracting plans in order to identify small business sources to satisfy specific needs of the prime contractor.

The Certificate of Competency Program (COC) helps small businesses secure Federal contracts by providing an appeal process to low bidder firms denied government contracts for a perceived lack of ability or financial resources to perform the work. A small firm may apply to the SBA for a Certificate of Competency (CoC) when they are low bidder on such a contract but are considered by the contracting agency to be unable to complete the work. The CoC is a document indicating that the firm with the low bid has the plant or financial capacity to complete the contract. A plant survey and financial analysis of the firm is performed by SBA personnel. Within 15 workdays of receipt of the referral, the firm and contracting officer are notified of SBA's decision regarding the CoC. Issuance of the CoC to the successful low bidder usually results in savings to the government over the next low bid.

The Size Determination Program ensures that only small firms receive contracts and other benefits set aside exclusively for small business. When a firm's claim that it is small is challenged, the SBA size specialists determine if the firm does, in fact, meet established SBA size standards. Size determinations may also be made when requested in connection with other federal contracting programs.



## The Surety Bond Guarantee Program

The Surety Bond Guarantee (SBG) Program provides small and minority contractors with contracting opportunities for which they could not otherwise compete. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many state, county, municipal and private sector contracts also require bonding, but small and minority businesses may not be able to obtain bonds through regular commercial channels. Through this program, the U.S. Small Business Administration (SBA) can guarantee bid, performance and payment bonds for contracts up to \$1.25 million for eligible small contractors.

A surety bond is a three way agreement between the surety company, the contractor and the project. It binds the contractor to comply with the terms of a contract. If the contractor is unable to do so, the surety assumes the responsibility and ensures that the project is completed. The SBA guarantees surety companies against a percentage of losses sustained as a result of a contractor's default on a guaranteed bid, payment or performance bond.

There are four major types of surety bonds:

1. Bid - guarantees the bidder will enter into a contract and furnish the required payment and performance bonds.
2. Payment - guarantees payment from the contractor to parties who furnish labor, materials, equipment and supplies.
3. Performance - guarantees the contractor will fulfill the contract in accordance with its terms.
4. Ancillary - bonds which are incidental and essential to the performance of the contract.

The SBG Program consists of the Prior Approval Program and the Preferred Surety Bond Program. Under the Prior Approval Program, the guarantee may range from 80 to 90 percent of the losses sustained under a guaranteed bond, and the surety must obtain SBA approval for each bond. Under the Preferred Surety Bond Program, selected sureties receive a 70 percent bond guarantee and are authorized to issue, service and monitor bonds without the SBA's approval.

### Eligibility

Contractors - In addition to meeting the surety's bonding qualifications, a contractor must meet the SBA's size eligibility standards for a small business. Businesses in the construction and service industries can qualify if their average annual receipts for the last three years, including those of any affiliates, do not exceed \$5 million. Your SBA district office can answer any questions regarding eligibility.

Bonds - The SBA can guarantee bonds for contracts up to \$1.25 million. A contract bond (bid, performance or payment) is generally eligible for an SBA guarantee if the bond is listed in the Contract Bonds section of the Surety Association of America's "Manual of Rules, Procedures and Classifications"; required by the contract or invitation to bid and

executed by a surety company that is acceptable to the U.S. Treasury (Circular 57) and qualified by the SBA.

#### Submitting an Application

The contractor chooses a participating surety company and applies for a specific bond through a bonding agent who represents that surety. The application provides the background, credit and financial information required by the surety company and the SBA. Contact your SBA district office for a list of local surety agents who can provide the forms required by the SBA.

Once the surety company receives its completed forms and sufficient underwriting information from the applicant, it processes and underwrites the application and decides whether to:

- execute the bond without the SBA's guarantee,
- execute it only with the SBA's guarantee, or
- decline the bond even with the SBA's guarantee.

If surety in the Prior Approval Program determines that the SBA must guarantee the bond, it submits an underwriting review, guarantee agreement, supporting documents, and the contractor's application forms to the SBA. If the application is for a final bond, the contractor's guarantee fee check is also attached.

A surety in the Preferred Surety Bond Program may issue the bond without the SBA's approval. The surety must then report the bond to the SBA and forward the contractor's fee payment within the required time.

#### Application Review

In the Prior Approval Program, the SBA reviews the information, documentation and underwriting rationale of the surety company to determine if the application is eligible for the program. If it is, and the information submitted by the surety company appears favorable, the SBA guarantees the bond (the SBA may also request additional information).

#### Fees

The SBA charges fees to both the contractor and the surety company; rates are published periodically in the Federal Register. The SBA does not charge the contractor a fee for an application or a bid-bond guarantee.

When the bond is issued, the contractor pays the surety company's bond premium. This charge cannot exceed the level approved by the state in which the bond is issued.

## **The Small Business Innovation Research Program (SBIR)**

The mission of the Office of Technology is to strengthen and expand the competitiveness of U.S. small high technology research and development businesses in the federal marketplace. The SBIR also provides assistance in achieving commercialization of the results of both the federal research and development programs mandated by the Small Business Innovation Development Act of 1982 and the Small Business Research and Development Enhancement Act of 1992.

The mission of the Office is carried out through legislated programs including:

- The Small Business Innovation Research Program
- The Small Business Technology Transfer Pilot Program
- The R, R & D Goaling Program
- Advocacy of Federal technology assistance

The Office of Technology, formerly the Office of Innovation, Research and Technology, is organized into two components: the Research Acquisition Policy Division and the Innovation and Technology Division.

The Office of Technology promotes federal small business high technology programs to improve the competitive capabilities of small research and development businesses with particular emphasis on emerging and underserved small firms. It encourages state of the market technology training, technology information exchange and outreach on federal technology programs.

The Office of Technology also encourages private and public resource support for the commercialization of federal R & D efforts. It promotes outreach activities to introduce women and minority owned small business concerns to the advantages of competing for federal R & D projects. For more information contact your local SBA office.

## Disaster Assistance

The SBA's Disaster Assistance Loan Program is the primary federally funded, disaster assistance loan program for funding long range recovery for private sector, nonagricultural disaster victims. Assistance is available to businesses of all sizes and to individuals. Eligibility is based on an individual's financial criteria. Interest rates fluctuate according to statutory formulas. A low interest rate (not to exceed four percent) is available to applicants without credit available elsewhere. A higher rate (not to exceed eight percent) is available for those with credit available elsewhere. The program provides disaster loans when a declaration is made by the President or the SBA Administrator. There are three disaster loan programs:

Physical Disaster Business Loans are available to qualified applicant businesses of any size for uninsured losses up to \$1.5 million to repair or replace business property to pre-disaster conditions. Loans may be used to replace or repair real estate, equipment, fixtures and inventory and leasehold improvements.

Economic Injury Disaster Loans (EIDLs) - Loans of up to \$1.5 million are available for small businesses that sustain economic injury as a direct result of a disaster. These working capital loans are made to businesses, without credit available elsewhere, to help pay ordinary and necessary operating expenses that would have been payable barring the disaster.

Note: The maximum loan amount is \$1.5 million for EIDL and physical disaster business loans combined, unless the business meets the federal criteria for a major source of employment. The \$1.5 million limit can be waived for businesses employing 250 or more people in an affected area.

Loans for Homes and Personal Property - Real Property: This is the major long term recovery program for individual disaster losses. Loans are available to qualified homeowners for uninsured losses up to \$200,000 to repair or restore a primary residence to pre-disaster condition.

Personal Property: Loans are available to qualified homeowner and renter applicants for uninsured losses up to \$40,000 to repair or replace personal property, such as clothing, furniture, cars and so forth. Loans are not intended to replace extraordinarily expensive or irreplaceable items, such as antiques, pleasure crafts, recreational vehicles or fur coats.

## **Local Sources Of Assistance**

### **Business Information Center (BIC)**

The Business Information Center (BIC) provides assistance to current and future entrepreneurs with issues ranging from business planning and financing to marketing and management.

The center offers a reference library with books, videos and computer access, seminars and workshops and counseling. There is no charge for using any of these services offered and you may visit as often you like Monday through Friday. For more information, contact your local SBA office.

### **Service Corps of Retired Executives (SCORE)**

SCORE, the Service Corps of Retired Executives, is a 13,000-member volunteer association sponsored by the U.S. Small Business Administration. Since 1964, the association has matched volunteer business management counselors with clients in need of expert advice. SCORE has experts in virtually every area of business management and maintains a national skills roster to help identify the best counselor for a particular client. Volunteer counselors share their management and technical expertise with both present and prospective small business owners.

SCORE volunteers are members of 388 locally organized chapters offering assistance in almost 800 locations throughout the United States, Puerto Rico, the U.S. Virgin Islands and Guam.

Every effort is made to match a client's needs with a counselor who is experienced in a comparable line of business. All individual and team SCORE counseling is free; there may be a nominal fee for training workshops and seminars.

Through in depth counseling and training, SCORE volunteers help prospective and established small business owners and managers identify problems, determine the causes and find solutions.

SCORE chapters offer low cost pre-business workshops that address topics like assessing entrepreneurial potential, developing a start-up checklist, selecting a legal entity, creating a business plan and securing funding. SCORE counselors also help successful firms review their distribution channels, survey expansion, modify products and meet other business challenges. Other workshops offer experienced business owners information on a myriad of subjects, including starting a home based business, purchasing a franchise, defining a marketing and advertising strategy, implementing a waste reduction plan, setting merchandise prices and beginning an exporting venture.

Any small business can obtain help from SCORE. The approach is confidential and personal. You don't need to be applying for or to have an SBA loan to participate in the program. In fact, an idea is all that is necessary for consultation and counseling.

## **Small Business Development Centers (SBDCs)**

The SBDC network is recognized as one of the finest business outreach programs of its kind in the nation.

The SBA provides 50 percent or less of the operating funds for each state SBDC. General business education, such as management development, technical information and marketing assistance form the bulk of SBDC services. These business education services are offered via one on one counseling as well as regularly scheduled training seminars.

The mission of the SBDC network is made up of the following elements:

To support entrepreneurship and business expansion through educational opportunities that cover human resources, management, technology, capital formation and infrastructure needs of the business community.

To address regional economic development needs for information by providing applied economic development research to communities and regions.

To assist in the expansion of international trade primarily by educating new exporters who need assistance in all elements of exporting.

To deliver in house managerial and employee training targeted especially to businesses which have difficulty obtaining affordable training.

To facilitate the creation of economic development leadership groups that focus on the creation, retention and expansion of business.

To provide special attention to the needs of minority entrepreneurs by identifying procurement opportunities, locating sources of capital and supporting outreach efforts of historically black colleges and universities.

To assist existing businesses in taking advantage of state and local incentives for job creation, employee training and other expansion efforts.

Contact your local SBA office for information on your local Small Business Development Center (SBDC).

# Marketing Basics

To succeed, entrepreneurs must attract and retain a growing base of satisfied customers. Marketing programs, though widely varied, are all aimed at convincing people to try out or keep using particular products or services. Business owners should carefully plan their marketing strategies and performance to keep their market presence strong.

## What is Marketing?

Marketing is based on the importance of customers to a business and has two important principles:

1. All company policies and activities should be directed toward satisfying customer needs.
2. Profitable sales volume is more important than maximum sales volume.

Determine the needs of their customers through market research  
Analyze their competitive advantages to develop a market strategy  
Select specific markets to serve by target marketing  
Determine how to satisfy customer needs by identifying a market mix

## Market Research

Successful marketing requires timely and relevant market information. An inexpensive research program, based on questionnaires given to current or prospective customers, can often uncover dissatisfaction or possible new products or services.

Market research will also identify trends that affect sales and profitability. Population shifts, legal developments, and the local economic situation should be monitored to quickly identify problems and opportunities. It is also important to keep up with competitors' market strategies.

## Marketing Strategy

A marketing strategy identifies customer groups which a particular business can better serve than its target competitors, and tailors product offerings, prices, distribution, promotional efforts, and services toward those market segments. Ideally, the strategy should address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best.

## Target Marketing

Owners of small businesses usually have limited resources to spend on marketing. Concentrating their efforts on one or a few key market segments target marketing gets the most return from small investments. There are two methods used to segment a market:

- Geographical segmentation Specializing in serving the needs of customers in a particular geographical area. For example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store.
- Customer segmentation Identifying those people most likely to buy the product or service and targeting those groups.

Every marketing program contains four key components:

1. Products and Services
2. Promotion
3. Distribution
4. Pricing

**Products and Services** Product strategies may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product-service package containing unusually high-quality service.

**Promotion** strategies include advertising and direct customer interaction. Good salesmanship is essential for small businesses because of their limited ability to spend on advertising. Good telephone book advertising is also important. Direct mail is an effective, low-cost medium available to small business.

**Distribution** The manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents generally is easiest for small manufacturers. Small retailers should consider cost and traffic flow in site selection, especially since advertising and rent can be reciprocal: A low-cost, low-traffic location means spending more on advertising to build traffic.

**Price** The right price is crucial for maximizing total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of their personalized service.

The nature of the product or service is also important in making decisions. If purchases are based largely on impulse, then high traffic and visibility are critical. On the other hand, location is less a concern for products or services that customers are willing to go out of their way to find. The recent availability of highly segmented mailing lists, purchased from list brokers, magazines, or other companies, has enabled certain small businesses to operate from any location yet serve national or international markets.

### Marketing Performance

After implementing a marketing program, entrepreneurs must evaluate its performance. Every program should have performance standards to compare with actual results. Researching industry norms and past performance will help to develop appropriate standards.

Entrepreneurs should audit their company's performance at least quarterly. The key questions are:

1. Is the company doing all it can to be customer-oriented?
2. Do employees ensure the customers are satisfied and leave wanting to come back?
3. Is it easy for the customer to find what he or she wants at a competitive price?



# Marketing Research

What is Marketing Research?

According to the American Marketing Association, marketing research is the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services.

Every small business owner-manager must ask the following questions to devise effective marketing strategies:

Who are my customers and potential customers?

What kind of people are they?

Where do they live?

Can and will they buy?

Am I offering the kinds of goods or services they want at the best place, at the best time and in the right amounts?

Are my prices consistent with what buyers view as the product's value?

Are my promotional programs working?

What do customers think of my business?

How does my business compare with my competitors?

Marketing research is not a perfect science. It deals with people and their constantly changing feelings and behaviors, which are influenced by countless subjective factors. To conduct marketing research you must gather facts and opinions in an orderly, objective way to find out what people want to buy, not just what you want to sell them.

Why do it?

It is impossible to sell products or services that customers do not want. Learning what customers want, and how to present it attractively, drives the need for marketing research. Small business has an edge over larger concerns in this regard. Large businesses must hire experts to study the mass market, while small-scale entrepreneurs are close to their customers and can learn much more quickly about their buying habits. Small business owners have a sense their customers' needs from years of experience, but this informal information may not be timely or relevant to the current market.

Marketing research focuses and organizes marketing information. It ensures that such information is timely and permits entrepreneurs to:

- Reduce business risks
- Spot current and upcoming problems in the current market
- Identify sales opportunities
- Develop plans of action

## How to do it

Without being aware of it, most business owners do market research every day. Analyzing returned items, asking former customers why they've switched, and looking at competitor's prices are all examples of such research. Formal marketing research simply makes this familiar process orderly. It provides a framework to organize market information.

## Market Research The Process

Step One: Define Marketing Problems and Opportunities

Step Two: Set Objectives, Budget, and Timetables

Step Three: Select Research Types, Methods, and Techniques

Step Four: Design Research Instruments

Step Five: Collect Data

Step Six: Organize and Analyze the Data

Step Seven: Present and Use Market Research Findings

## Define the Problem or Opportunity

The first step of the research process, defining the problem or opportunity, is often overlooked but it is crucial. The root cause of the problem is harder to identify than its obvious manifestations; for example, a decline in sales is a problem, but its underlying cause is what must be corrected. To define the problem, list every factor that may have influenced it, then eliminate any that cannot be measured. Examine this list while conducting research to see if any factors ought to be added, but don't let it unduly influence data collection.

## Assess Available Information

Assess the information that is immediately available. It may be that current knowledge supports one or more hypotheses, and solutions to the problem may become obvious through the process of defining it. Weigh the cost of gathering more information against its potential usefulness.

## Gather Additional Information

Before considering surveys or field experiments, look at currently held information: sales records, complaints, receipts, and any other records that can show where customers live and work, and how and what they buy. One small business owner found that addresses on cash receipts allowed him to pinpoint customers in his market area. With this kind of information he could cross-reference his customers' addresses and the products they purchased to check the effectiveness of his advertising.

Customers' addresses tell much about them. Lifestyles and buying habits are often correlated with neighborhoods.

Credit records are an excellent source of information, giving information about customers' jobs, income levels, and marital status. Offering credit is a multifaceted marketing tool with well-known costs and risks.

Employees may be the best source of information about customer likes and dislikes. They hear customers' minor gripes about the store or service the ones customers don't think important enough to take to the owner. Employees are aware of the items customers

request that you do not stock. They can often supply good customer profiles from their day-to-day contacts.

### Secondary Research

Secondary research exploits published sources like surveys, books, and magazines, applying or rearranging the information in them to bear on the problem or opportunity at hand. A tire sales business owner might guess that present retail sales of tires is strongly correlated with sales of new cars three years ago. To test this idea, it's easy to compare new car sales records with replacement tire sales three years later. Done over a range of recent years, this should prove or disprove the hypothesis and help marketing efforts tremendously.

There are many sources of secondary research material. It can be found in libraries, colleges, trade and general business publications, and newspapers. Trade associations and government agencies are rich sources of information GALE'S Directory is available at any public library.

### Sources of Secondary Research

ASAE Directory of Associations Online  
Ask a Librarian U.S. Library of Congress  
Bureau of Labor Statistics  
Business Research Lab  
Center for Business Women's Research  
Economic Statistics & Research  
Fedstats.gov  
Internet Public Library  
Population & Demography Resources

### Primary Research

Primary research can be as simple as asking customers or suppliers how they feel about a business or as complex as surveys conducted by professional marketing research firms. Direct mail questionnaires, telephone surveys, experiments, panel studies, test marketing, and behavior observation are all examples of primary research.

Primary research is often divided into reactive and non-reactive research. Non-reactive primary research observes how real people behave in real market situations without influencing that behavior even accidentally. Reactive research, including surveys, interviews, and questionnaires, is best left to marketing professionals, as they can usually get more objective and sophisticated results.

Those who can't afford high-priced marketing research services should consider asking nearby college or university business schools for help. For More Information download the Missouri SBDC's "Market Research Workbook"

# Competitive Analysis

Business takes place in a highly competitive, volatile environment, so it is important to understand the competition. Questions like these can help:

1. Who are your five nearest direct competitors?
2. Who are your indirect competitors?
3. Is their business growing, steady, or declining?
4. What can you learn from their operations or from their advertising?
5. What are their strengths and weaknesses?
6. How does their product or service differ from yours?

Start a file on each of your competitors including advertising, promotional materials, and pricing strategies. Review these files periodically, determining how often they advertise, sponsor promotions, and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategies.

What to address in your competitor analysis

- Names of competitors List all of your current competitors and research any that might enter the market during the next year.
- Summary of each competitor's products should include location, quality, staff, advertising, distribution methods, promotional strategies, customer service, etc.
- Competitors' strengths and weaknesses List their strengths and weaknesses from the customer's viewpoint. State how you will capitalize on their weaknesses and meet the challenges represented by their strengths.
- Competitors' strategies and objectives This information might be easily obtained by getting a copy of their annual report. It might take analysis of many information sources to understand competitors' strategies and objectives.
- Strength of the market Is the market for your product growing sufficiently so there are enough customers for all market players?

Ideas for gathering competitive information

- The internet is a powerful tool for finding information on a variety of topics.
- Personal visits If possible, visit your competitors' locations. Observe how employees interact with customers. What do their premises look like? How are their products displayed and priced?
- Talk to customers your sales staff is in regular contact with customers and prospects, as is your competition. Learn what your customers and prospects are saying about your competitors.
- Competitors' ads Analyze competitors' ads to learn about their target audience, market position, product features, and benefits, prices, etc.
- Speeches or presentations Attend speeches or presentations made by representatives of your competitors.
- Trade show displays View your competitor's display from a potential customer's point of view. What does their display say about the company?

# Marketing Plan

A sound marketing plan is key to the success of your business. It should include your market research, your location, the customer group you have targeted, your competition, positioning, the product or service you are selling, pricing, advertising, and promotion.

Effective marketing, planning and promotion begins with current information about the marketplace. Visit your local library, talk to customers, study the advertising of other businesses in your community, and consult with any relevant industry associations. This interactive tool will help you assess your marketing strengths and weaknesses.

## 1. Define your business

- Your product or service
- Your geographic marketing area neighborhood, regional or national
- Your competition
- How you differ from the competition what makes you special
- Your price
- The competition's promotion methods
- Your promotion methods
- Your distribution methods or business location

## 2. Define your customers

- Your current customer base: age, sex, income, neighborhood
- How your customers learn about your product or service advertising, direct mail, word of mouth, Yellow Pages
- Patterns or habits your customers and potential customers share where they shop, what they read, watch, listen to
- Qualities your customers value most about your product or service selection, convenience, service, reliability, availability, affordability
- Qualities your customers like least about your product or service can they be adjusted to serve your customers better?
- Prospective customers whom you aren't currently reaching

## 3. Define your plan and budget

- Previous marketing methods you have used to communicate to your customers
- Methods that have been most effective
- Cost compared to sales
- Cost per customer
- Possible future marketing methods to attract new customers
- Percentage of profits you can allocate to your marketing campaign
- Marketing tools you can implement within your budget newspaper, magazine or Yellow Pages advertising; radio or television advertising; direct mail; telemarketing; public relations activities such as community involvement, sponsorship or press releases
- Methods of testing your marketing ideas
- Methods for measuring results of your marketing campaign

# Advertising and PR

## What Advertising Can Do For Your Business

- Remind customers and prospects about the benefits of your product or service
- Establish and maintain your distinct identity
- Enhance your reputation
- Encourage existing customers to buy more of what you sell
- Attract new customers and replace lost ones
- Slowly build sales to boost your bottom line

## What Advertising Cannot Do For Your Business

- Create an instant customer base
- Cause an immediate sharp increase in sales
- Solve cash flow or profit problems
- Substitute for poor or indifferent customer service
- Sell useless or unwanted products or services

## Advertising's Two Important Virtues

You have complete control. Unlike public relations efforts, you determine exactly where, when and how often your message will appear, how it will look, and what it will say. You can target your audience more readily and aim at very specific geographic areas. You can be consistent, presenting your company's image and sales message repeatedly to build awareness and trust. A distinctive identity will eventually become clearly associated with your company, like McDonald's golden arches. Customers will recognize you quickly and easily in ads, mailers, packaging or signs if you present yourself consistently.

## What Are Advertising's Drawbacks?

It takes planning. Advertising works best and costs least when planned and prepared in advance. For example, you'll pay less per ad in newspapers and magazines by agreeing to run several ads over time rather than deciding issue by issue. Likewise, you can save money by preparing a number of ads at once.

It takes time and persistence. The effectiveness of your advertising improves gradually over time, because customers don't see every one of your ads.

You must repeatedly remind prospects and customers about the benefits of doing business with you. The long-term effort triggers recognition and helps special offers or direct marketing pay off.

## Getting Ready to Advertise Drawing the Blueprint

### 1:Design the Framework

What is the purpose of your advertising program? Start by defining your company's long-range goals, then map out how marketing can help you attain them. Focus on advertising

routes complementary to your marketing efforts. Set measurable goals so you can evaluate the success of your advertising campaign. For example, do you want to increase overall sales by 20% this year? Boost sales to existing customers by 10% during each of the next three years? Appeal to younger or older buyers? Sell off old products to free resources for new ones?

How much can you afford to invest? Keep in mind that whatever amount you allocate will never seem like enough. Even giants such as Proctor & Gamble and Pepsi always feel they could augment their advertising budgets. But given your income, expenses and sales projections, simple addition and subtraction can help you determine how much you can afford to invest. Some companies spend a full 10% of their gross income on advertising, others just 1%. Research and experiment to see what works best for your business.

## 2: Fill in the Details

What are the features and benefits of your product or service? When determining features, think of automobile brochures that list engine, body and performance specifications. Next, and more difficult, determine the benefits those features provide to your customers. How does your product or service actually help them? For example, a powerful engine helps a driver accelerate quickly to get onto busy freeways. Who is your audience? Create a profile of your best customer. Be as specific as possible, for this will be the focus of your ads and media choices. A restaurant may target adults who dine out frequently in the nearby city or suburban area. A computer software manufacturer may aim at information managers in companies with 10-100 employees. A bottled water company may try to appeal to athletes or people over 25 who are concerned about their health.

Who is your competition? It's important to identify your competitors and their strengths and weaknesses. Knowing what your competition offers that you don't, and vice versa, helps you show prospects how your product or service is special, or why they should do business with you instead of someone else. Knowing your competition will also help you find a niche in the marketplace.

## 3: Arm Yourself with Information

What do you know about your industry, market and audience? There are many sources of information to help you keep in touch with industry, market and buying trends without conducting expensive market research. Examples include U.S. Government materials from the Census Bureau and Department of Commerce. Public, business or university libraries are also a good option, as are industry associations, trade publications and professional organizations. You can quickly and easily learn more about your customers by simply asking them about themselves, their buying preferences and media habits. Another, more expensive, alternative is to hire a professional market research firm to conduct your research.

## 4: Build Your Action Plan Evaluating Media Choices

Your next step is to select the advertising vehicles you will use to carry your message, and establish an advertising schedule. In most cases, knowing your audience will help you

choose the media that will deliver your sales message most effectively. Use as many of the above tools as are appropriate and affordable. You can stretch your media budget by taking advantage of co-op advertising programs offered by manufacturers. Although programs vary, generally the manufacturer will pay for a portion of media space and time costs, or mailer production charges, up to a fixed amount per year. The total amount contributed is usually based on the quantity of merchandise you purchase.

When developing your advertising schedule, be sure to take advantage of any special editorial or promotional coverage planned in the media you select. Newspapers, for example, often run special sections featuring real estate, investing, home and garden improvement, and tax advice. Magazines also often focus on specific themes in each issue.

For additional information:

Read SBA's "A Primer on Advertising"

## 5:Using Other Promotional Avenues

Advertising extends beyond the media described above. Other options include imprinting your company name and graphic identity on pens, paper, clocks, calendars and other giveaway items for your customers. Put your message on billboards, inside buses and subways, on vehicle and building signs, on point-of-sale displays and shopping bags. You might co-sponsor events with nonprofit organizations and advertise your participation; attend or display at consumer or business trade shows; create tie-in promotions with allied businesses; distribute newsletters; conduct seminars; undertake contests or sweepstakes; send advertising flyers along with billing statements; use telemarketing to generate leads for salespeople; or develop sales kits with brochures, product samples, or application ideas.

The number of promotional tools used to deliver your message and repeat your name is limited only by your imagination your budget.



## The Advertising Campaign

You are ready for action when armed with knowledge of your industry, market and audience; a media plan and schedule; your product or service's most important benefits; and measurable goals in terms of sales volume, revenue generated, or other criteria.

The first step is to establish the theme that identifies your product or service in all of your advertising. The theme of your advertising reflects your special identity or personality, and the particular benefits of your product or service. For example, cosmetics ads almost always rely on a glamorous theme. Many food products opt for healthy, all-American family campaigns. Automobile advertising frequently concentrates on how the car makes you feel about owning or driving it rather than performance attributes.

Tag lines reinforce the single most important reason for buying your product or service. "Nothing Runs Like a Deere" (John Deere farm vehicles) conveys performance and endurance with a nice twist on the word "deer." "Ideas at Work" (Black & Decker tools and appliances) again signifies performance, but also reliability and imagination. "How the Smart Money Gets that Way" (Barron's financial publication) clearly connotes prosperity, intelligence, and success.

### Comparing Advertising and Public Relations

- Space or time in the mass media must be paid for. Coverage in mass media, if any, is not paid for.
- You determine the message. Interpretation of the message is in the hands of the media.
- You control timing. Timing is in the hands of the media.
- One-way communication using the mass media does not allow feedback. Two-way communication the company should be listening as well as talking and the various PR venues often provide immediate feedback.
- Message sponsor is identified. Message sponsor is not overtly identified.
- The intention of most messages is to inform, persuade, or remind about a product usually with the intention of making a sale. The intention of public relations efforts is often to create good will, to keep the company and/or product in front of the public, or to humanize a company so the public relates to its people or reputation rather than viewing the company as a non-personal entity.
- The public may view the message negatively, recognizing advertising as an attempt to persuade or manipulate them. The public often sees public relations messages that have been covered by the media as more neutral or believable.
- Very powerful at creating image. Can also create image, but can sometimes stray from how it was originally intended.
- Writing style is usually persuasive, can be very creative, often taking a conversational tone, may even be grammatically incorrect. Writing style relies heavily on journalism talents any persuasion is artfully inserted in the fact-based content.

For more information read PR Newswire's Small Business Tool Kit

Business Start-Up, Where To Begin & How To Grow

64 of 116

# Fifteen Ideas For Promoting Your Company

Reasons for promoting a business include: increasing visibility; adding credibility to you or your company; enhancing or improving your image; and bringing in new business. The key is to find the methods that are appropriate for your business, marketplace and professional style.

1. **CONTESTS.** As one example, a cookware store decided to sponsor cooking contests. After sending out a press release announcing a competition for the best cookie or chocolate cake, a mailing went out to the stores customers soliciting entries. Food editors, professional chefs and cooking teachers were invited to be judges. Both the winners and the winning recipes were publicized.

2. **NEWSLETTERS.** Another good way to promote, particularly for brokers, banks and business consultants, is through newsletters. They demonstrate how much you know about your field, and do it in a low-key, informative way. They help keep your company high in the consciousness of your prospects.

3. **DEMONSTRATIONS.** Demonstrations are an option to attract people to your place of business, show them how to best use your product, and establish your credibility. A retail-wholesale fish outlet holds cooking demonstrations twice a week, featuring a different restaurant chef each time and attracting substantial crowds. Recipe cards are even given out. Wallpaper demonstrations, fashion shows, gift wrapping, refinishing and computer demonstrations have all worked well for retailers selling products associated with them.

4. **SEMINARS.** Often more appropriate for business to business marketing, seminars are the commercial side of demonstrations. If you hold a seminar, follow these rules for success:

- Schedule the event at a time convenient to most attendees.
- Be specific in the invitation about when the event begins and ends, who will be there, and what the agenda is.
- Follow up the invitations with personal phone calls.
- Charge for the seminar to give it a higher perceived value.
- Follow up after the event to get people's reactions.

5. **PREMIUMS.** Also called an advertising specialty, a premium is a gift of some kind that reminds your customer of you and your service. There are thousands from which to choose: key chains, coffee mugs, refrigerator magnets, baseball caps, paperweights just about anything that can be engraved, imprinted, silk-screened or embroidered with your company name and phone number.

6. **SPEECHES.** Depending on your topic and your market, you might want to speak before chambers of commerce, trade associations, parent groups, senior citizens or other local organizations.

7. **ARTICLES.** Another possibility is to write an article for a trade journal, reprint it, and mail it off to your friends, customers and prospects. This positions you as an expert, and is a particularly good way to promote a consulting business.

8. **BONUSES.** If you have a restaurant, give away a glass of wine with dinner to introduce a new menu. If you sell to retailers, give them a display fixture with the order of a gross. If you sell office supplies, give away a new pen with a sizeable purchase. If you're in the cosmetics business, offer customers a free sample blusher when they buy mascara.

9. **COUPONS.** For best results, the price break should be significant at least 15 percent. This is one of the least expensive ways to develop new trade, and an excellent tool for evaluating advertising. However, one theory holds that coupons draw people who only buy discount and never become regular customers. So be sure to monitor the results.

10. **DONATIONS.** Donating your product or service to a charitable cause often results in positive exposure to community leaders, charity board members, PTAs and civic groups. If you have a restaurant or a large meeting facility, consider hosting an event for a charitable organization. This works if volunteers for that charity are potential customers.

11. **SAMPLES.** Giving potential customers a sample is an excellent way to attract attention and make a positive impression. In many cases, it makes just as much sense to spend your marketing and advertising dollars on giving out your own products instead of buying advertisements especially if cash is tight. The key is to give samples to the audience you want to reach, i.e., software packages to computer user groups, or nutritious snacks to health-oriented consumers.

12. **FREE TRIALS.** If your product is too big or expensive to give away outright, why not offer a free trial to qualified customers? Try shipping it out to prospects with no strings attached. Most people will appreciate the opportunity to try the product, and hopefully many will like it enough to buy it.

13. **FREE SERVICES.** If you can't afford to give away products, offering your services as a way of generating new business can also pay off. For example, if you own a retail clothing business, send out a flyer offering customers a free fashion consultation to draw them into the store.

14. **SPECIAL BENEFITS, RATES OR NOTICES.** Smart organizations go out of their way to make customers feel important and appreciated. Frequent flyer clubs are the most pervasive example of loyalty-building benefits for customers only, now adapted by many kinds of businesses. Most software companies sell program updates to customers at discounted prices. And advance notices about sales or other changes or opportunities can help cement customer ties.

15. **SAY "THANKS".** One of the best ways to let customers know you value their business, and to encourage their continued patronage, is also one of the easiest. It boils down to saying "thank you" in letters, mailers and surveys. On statement stuffers, receipts and invoices and in person.

## Twelve High-Impact Marketing Programs

Consider the twelve fast, low-cost, easy to implement marketing ideas outlined below.

### 1. Survey Your Customers.

Salespeople can tell you a lot about your customers, which is why they're the source of customer intelligence for many companies. Yet because their job is to sell existing products or services, as opposed to perceiving and addressing unmet needs, there are limits to what salespeople can offer. So get your own firsthand view as well by taking a shift on the sales floor or with a service crew.

- Why they buy from you.
- How they use your product or service.
- What they like and dislike about doing business with you.
- How you compare to the competition.
- What you do that "annoys, infuriates or delights" them.

Put these points into a short questionnaire and ask customers to return it, anonymously, in the stamped self addressed envelopes you provide. Ideally, survey all customers during the course of three or four weeks, so that even a small rate of return will give you a meaningful sampling of opinions.

Above all, be prepared to change to solve what customers identify as problems. If they complain of delayed order processing during peak season, for example, offering apologies or recommending pre-season ordering is the response of an internally centered company. The customer-centered company hires more staff.

### 2. Follow Up On Every Sale.

Don't stop with a one-time customer survey, however. Regularly evaluate all your transactions with customers to monitor the quality of your products and services, and ask customers how you can improve it. Fortunately you can do this easily, again using a questionnaire.

Keep questionnaires short, advises business writer Jacquelyn Lynn, and make sure each question concerns only one issue (e.g., "Was the delivery crew prompt and courteous?" is two questions, not one). In addition, try to avoid yes-no questions and offer check-off ratings in no more than four questions, ensuring that customers are putting their ideas into short answers more often than mechanically checking boxes.

To keep the questionnaire well-focused and concise, stick to the big issues or the critical points. Begin constructing your questionnaire by writing out every potential question you can think of; then narrow it down to the six to 12 that matter most.

An even more important part of follow-up than questionnaires is to thank customers for their business which you can do in a short note and put their names on a mailing list. Then send them any of a variety of useful mailers: notices of new products or services,

information about products and services related to recent purchases, sales notices, special promotions and newsletters.

### 3. Use Your Database To Write Customers a Personal Letter.

Database marketing, explains business writer Mark Hendricks, aims "not to make the sale, but keep the customer." The underlying technique is to use database records of customers' latest purchases, and frequency and amount of past purchases, to create targeted mailers that let you stay in touch with your customers.

The most popular of these mailers are listed above. But another type of mailer, fast and inexpensive to produce, sometimes proves the most powerful of all: personal letters.

Take the time to concentrate on customers individually by writing them letters personally tailored to their specific situation. Mention that you'll phone in a week to follow up on the matters you've broached. And add a handwritten P.S. recapping your main message.

### 4. Try Niche Marketing.

Many of today's most successful companies have stopped marketing to the broad, some say meaninglessly broad, customer categories of the 1980s (e.g., "heavy users" or "women aged 25-49"). Instead they reach out to narrowly-focused groups, using a strategy called "niche marketing."

- Compile a comprehensive list of your prospects and customers. \* Narrow the list to a profitable group you believe you can serve better than the competition.
- Create a profile of the traits common to these customers, such as sales volume or location.
- Use this profile to tailor products, services and advertising to your niche market and qualify new prospects.
- Be prepared to experiment with several niches before finding the one that fits your company best.

### 5. Distribute Free Samples.

Free samples are always welcome. Food and beverages are natural candidates, as are free trials of non-consumables like furniture or office equipment. In fact, anything customers must try in order to appreciate lends itself to sampling. Sampling has historically produced great successes, from the free nibbles that have launched cookie stores to the mass mailings.

### 6. Present Free Demonstrations, Consultations & Seminars.

Free demonstrations or consultations, which can take place on your premises or that of your customers, or at homes, community centers, rented conference rooms, trade fairs, festivals or other events. When staging demonstrations, talk for no more than 15 minutes and end by closing the sale. When doing consultations, determine how much information you must impart to prove expertise without giving away too much; end by closing the sale.

## 7. Hand Out Free Gifts.

If you want guaranteed attention, offer a free gift. A free gift for a particular amount or item of purchase. A free gift for responding to a direct-mail solicitation. A free gift of a second item with the purchase of a first a more tantalizing and successful version of the two-for-one sale.

Also consider handing out specialty gifts to prospects and customers: free pens, scratchpads, mugs, T-shirts and other items printed with your company name, address, phone number and business slogan. To explore the range of gifts available, consult some of the "Advertising Specialties" firms listed in the Yellow Pages. Ask the reps to suggest gifts that have been used successfully in your industry and pay special attention to new, just-introduced items whose advanced design or technology may appeal strongly to your customers.

## 8. Use Coupons As An Advertising Vehicle.

Coupons offer a proven method of generating trial. Enclose them in invoices. Hand them out at the cash register. Distribute them through your sales force. Include them in a coupon pack prepared by a direct-mail advertising house.

If you decide to produce your own coupon, study samples around you to see how they're written and designed to specify the product and trumpet the savings boldly and unequivocally. If you give your coupon an expiration date, which you should do to encourage prompt use, make sure it's conspicuous.

## 9. Build Awareness Through Sweepstakes or Contests.

Sweepstakes and contests provide exciting ways to build awareness of your products, services and company, as well as produce the goodwill that giveaways naturally inspire. Whether entrants will win a free lunch at your restaurant or a free week in Paris (perhaps co-sponsored by a local travel agent), you must check the legalities with your lawyer before you start.

Then plan out your promotion step by step, from how customers will enter and how entries will be handled to whether you'll award prizes below the grand-prize category. For example, will everyone win something just for entering?

Afterwards, generate publicity about the winners and display photocopies of all resulting news stories at your business.

## 10. Be Creative With Telephone-hold Marketing.

In most businesses, callers will at some point be placed on hold. So play a telephone-hold audiotape that, over background music, talks about your products, services or even your company itself. Besides helping the time pass faster, tapes can answer callers' questions and even inform them of products or services they need but didn't know you provide.

To find a company to produce your telephone-hold tape, check the Yellow Pages under "Telecommunications-Telephone Equipment, Services & Systems." Most firms provide everything you need produced tape, hookups and phone equipment for a monthly fee.

### 11. Sell With Store Signs.

Use interior signs to tell customers about the goods and services you offer, such as free delivery, free alterations or free trials. If you stock a specialty line, like environmentally-safe products, point it out. If you've just received merchandise with a high-demand feature, let customers know.

Signs also provide an easy way to answer customers' most commonly-asked questions. Post explanatory labels to help customers differentiate among various models. Write out shelf signs describing special features that make products outstanding values or unique in their field, or telling customers where to find accessories.

Use signs, in short, to tout your company's competitive advantages and to make shopping easier, more informative and more motivating for your customers.

### 12. Act Now to Extend Your Seasonal Sales.

Is your business seasonal? If so, suggests business writer Carol June, utilize year-round marketing to improve your sales. Before the season, stimulate repeat sales by sending coupons to current customers for upcoming purchases or offering special deals on early orders. After the season, use follow-up mailings or phone calls to stay in touch with customers and encourage their loyalty. Or maintain interest with an end-of-season or off-season sale of leftover merchandise.

In the longer term, consider a second-season business or product line that would both be a logical extension of your current operation and appeal to your customers. A holiday fruitcake company, for example, might branch out into year-round baked goods; a ski shop, into camping gear. Or, if you're a retail firm, expand not your season but your customer base by adding a catalog or direct-mail wholesale operation.

To sum up, marketing is a 365-day-a-year job. It demands persistent attention on satisfying customers' needs. Equally important, it requires a constant program of efforts to develop your customer base and stimulate sales a program initiated and implemented most effectively by putting your own twist on direct, hard-working, tried-and-true ideas such as the 12 described above. For it doesn't take novelty or large sums of money to succeed in marketing; first and foremost, it takes action.

## Target Market

It's important to remember that the focus of marketing is people. If you're concentrating your efforts on your product or profit only, you'll miss the mark. The term target market is used because that market— that group of people—is the "bull's eye" at which you aim all your marketing efforts.

So, don't forget that a market is people... People with common characteristics that set them apart as a group. The more statistics you have about a target market, the more precisely you can develop your marketing strategy. The table below shows some examples of market segments (or groups):

Type of Market Segment	Shared Group Characteristics
Demographic Segment	Measurable statistics such as age, income, occupation, etc.
Psycho-graphic Segment	Lifestyle preferences such as music lovers, city or urban dwellers, etc.
Use-based Segment	Frequency of usage such as recreational drinking, traveling, etc.
Benefit Segment	Desire to obtain the same product benefits such as luxury, thriftiness, comfort from food, etc.
Geographic Segment	Location such as home address, business address, etc.

Here are examples of target segments that can be created using the above table:

Women business owners between the ages of 25 and 60 earning more than \$25,000 annually form a demographic segment.

People who drive compact cars due to their fuel efficiency form a benefit segment.

Be careful not to confuse a geographic market segment with a place. The market is the people who live in the sunbelt area, not the sunbelt area. This is a common mistake made by business owners that causes them to lose a marketing focus on their customers.

### Design Marketing Strategies With Your Target Market In Mind

The reason we're concerned with identifying a target market is because it makes strategies for designing, pricing, distributing, promoting, positioning and improving your product, service or idea easier, more effective, and more cost-effective.

For example, if research shows that a sturdy recyclable package with blue lettering appeals to your target market and if you're focused on that target market, you should choose that type of packaging. If, however, you're product or profit oriented—rather than people oriented—you might simply make the package out of plain styrofoam because it protects the product (product oriented) or because it's cheap (profit oriented).

Here's another example: If you know your target market is 24to 49-year-old men who like rhythm & blues, are frequent CD buyers, and live in urban neighborhoods, you can create an advertising message to appeal to those types of buyers. Additionally, you could buy



spots on a specific radio station or TV show that appeals to this type of buyer, rather than buying general media time to "kind of cover all the bases." Make sense?

In summary, when you're making marketing decisions and you say "kinda," it's costing you money. Know whom you are aiming for (your target market) and create a strategy for a direct hit.

### Trade Shows

Trade shows are designed to let entrepreneurs meet many potential customers face-to-face in a brief period of time inexpensively. According to the Trade Show Bureau, more than 4,300 were held nationwide in 1994, attracting 85 million visitors.

Trade shows help level the playing field for smaller firms, since booth space is generally inexpensive (\$13 per square foot on average, with the typical small booth covering 100 square feet), and even small companies can usually afford attractive displays. With creative marketing and booth design, small businesses can actually appear as substantial as much larger corporations.

The Trade Show Bureau reports that of the firms exhibiting at business-to-business shows, 44% have fewer than 50 employees. Sophisticated exhibitors do well at trade shows no matter what their size, while the naive and inexperienced can waste thousands of dollars and countless hours and possibly do more harm than good. Using trade shows effectively takes only a little effort and planning.

### Trade Show Benefits

Because trade shows generally take place at a single location, have short runs (usually one to three days), and bring together thousands of exhibitors and potential customers, they are a very powerful marketing medium. The Trade Show Bureau claims that the average total cost of closing a sale in the field is \$1,080, while the cost of closing a sale to a qualified trade show prospect is \$419.

Because business-to-business shows typically do not allow selling on the show floor, generating sales leads is the most common reason exhibitors participate.

It is possible during the course of one trade show to personally meet most of your important clients and suppliers, making shows a good way to establish and reinforce relationships.

Common reasons for exhibiting include:

- Generating sales leads.
- Generating actual sales at the show.
- Enhancing your image and visibility.
- Reaching a specific audience.
- Establishing a presence in the marketplace.
- Improving the effectiveness and efficiency of your marketing efforts.

- Personally meeting your customers, competitors and suppliers.
- Prospecting for new customers.
- Introducing new products and services.
- Demonstrating your product in ways not possible using other marketing channels.
- Recruiting distributors or dealers.
- Educating your target audience.

### e-Marketing

E-mail marketing is one of the most effective ways to keep in touch with customers. It is generally cost-effective, and if done properly, can help build brand awareness and loyalty. At a typical cost of only a few cents per message, it's a bargain compared to traditional direct mail at \$1 or more per piece. In addition, response rates on e-mail marketing are strong, ranging from five to 35% depending on the industry and format. Response rates for traditional mail averages in the 1-3% range.

One of the benefits of email marketing is the demographic information that customers provide when signing up for your email newsletter. Discovering who your customers really are – age, gender, income and special interests, for example – can help you target your products and services to their needs. Points to consider when creating your email newsletter:

HTML vs. Plain Text: Response rates for HTML newsletters are generally far higher than plain text, and graphics and colors tend to make the publications look far more professional. The downside is that HTML email is slower to download, and some email providers may screen out HTML email.

Provide incentive to subscribe: Advertise the benefits of receiving your newsletter to get customers to sign up for your newsletter, such as helpful tips, informative content or early notification of special offers or campaigns.

Don't just sell: Many studies suggest that email newsletters are read far more carefully when they offer information that is useful to the customers' lives rather than merely selling products and services. Helpful tips, engaging content and humor are often expected to accompany email newsletters.

Limit questions: As each demographic question you ask may reduce the number of customers signing up, it's best to limit the amount of information you solicit or give customers the option of skipping the questionnaire.

### Establishing a Web Presence

Even if you choose not to sell your goods or services online, a business web site can be a virtual marketing brochure that you can update on demand with little or no cost. Your presence on the Internet can be a useful marketing tool by providing richer pre-sale information or post-sale support and service. This might temporarily differentiate your product or service from your competitors'. E-marketing has lessened the disadvantage that small businesses have faced for years when competing with larger businesses. E-Commerce has redefined the marketplace, altered business strategies, and allowed global competition between local businesses. The term "electronic commerce" has evolved from meaning simply electronic shopping to representing all aspects of business

and market processes enabled by the Internet and other digital technologies. SBA is preparing to help this new generation of Internet-enabled or eSmall Businesses.

Today's business emphasis is on e-commerce rapid electronic interactions enabled by the Internet and other connected computer and telephone networks. Rapidly business transactions and unparalleled access to information is changing consumer behavior and expectations. The U.S. Small Business Administration (SBA) is reshaping its programs to better serve small businesses that taking advantage of the Internet and other emerging technologies.

Many small businesses assume that the Internet has little value to them because they feel that their product or service cannot be easily sold online. But inexpensive information processing and electronic media can help most small businesses provide better, faster customer service and communication.

To learn more about the benefits of e-commerce as a marketing tool download the SBA E-Commerce Online Video Course:

- The E-Commerce Economy
- Internet Basics
- E-Commerce Basics
- E-Business Basics
- Web Marketing

And read the SBDC Net's E-Commerce Guide

## Finding Employees

Once you have identified the skills needed for the positions you want to fill, there are many sources that can help you recruit job applicants.

### Public Services

Each State has an employment service (often called Job Service, Public Employment, Unemployment Bureau, or Employment Security Agency). All are affiliated with the United States Employment Service, and local offices are ready to help businesses recruit employees. The employment service will screen applicants with aptitude tests if they are available for the skills you specify.

### Fee-Based Searches

Employment agencies specialize in finding industry or skill-specific employees. The primary advantages are the professional screening services provided by such agencies, including background checks and aptitude tests. Employers typically pay a considerable fee to the agency for its services.

Online job sites such as Monster.com are still the fastest growing method for employer-employee matchmaking. These specialized sites, along with the online classified sections from major newspapers, often provide the largest pool of prospective employees. However, most online sites do not offer the professional screening services offered by employment agencies. Additionally, businesses advertising on such sites are often inundated with applicants.

### Interns

Colleges and universities usually have a distributive education program in which students work for you part-time or volunteer as interns while they learn about your business. Interns typically expect to learn skills or useful information relevant to their chosen field of study. Prior to contacting a school regarding interns, make sure that you have a clear idea of how an intern will benefit from working with you. If you're looking for someone to do clerical work with little or no opportunity for learning on the job, it's generally best to hire low cost help instead.

### "Help Wanted"

If you have a traditional storefront and are seeking generalists, one of the oldest and most reliable recruitment tools is a simple sign in your window. The most obvious advantage to this recruitment method is that it is free. There are serious disadvantages, however, including attracting unqualified applicants with a vast variety of skill sets, and the difficulty of talking to prospective applicants while conducting business.

### Alternative Staffing Solutions

How do you cope with unexpected personnel shortages? Many businesses face this question because of seasonal peaking, inventory, special projects, several employees simultaneously on sick leave, or an unexpected increase in business.

Entrepreneurs must also cope with the rising costs of employee benefits, as well as all the payroll record keeping required by local, state, and federal government. This section discusses alternatives available to meet these staffing challenges. Options include temporary help services, employee leasing, and service contracting.

### Temporary Help Services

Most businesses need extra help sometimes, and temporary shortages are especially difficult for smaller businesses. A temporary personnel service hires employees and assigns them to companies requesting help. The service is responsible for payroll, bookkeeping, tax deductions, workers' compensation, fringe benefits, and all other employee costs. Most national temporary personnel companies also offer performance guarantees and fidelity bonding at no added cost.

Workers supplied by a temporary service firm are quickly available. Usually they can start the day after a request is made, and sometimes the same day. Although the rate paid to a temporary service firm is higher than that paid to a permanent employee, the costs of recruiting, record-keeping, training, overtime, and idle periods are much less.

Evaluate temporary personnel services using these factors:

**Reliability:** Is the service well established, with a history of success and financial stability?

**Recruiting:** The firm with an aggressive recruiting program is more likely to have the most skilled and reliable employees.

**Testing and evaluation:** How does it test and evaluate personnel?

**Training programs:** Does the company train personnel in modern office methods, word processing, records management, and other important skills?

**Quality control:** Does the company check the quality of work of its temporary employees?

A temporary service will ask for information about the department the employee will be working in, duration of the assignment, working hours, dress code, smoking rules, and other important information. If possible, send samples of the work. Be sure to give the exact location of your business, transportation available, parking information, and the name and title of the person to whom the temporary employee will report.

Temporary help services are not appropriate for all needs. Businesses needing a temporary worker for six months or longer should hire a full-time employee. For jobs that require extensive supervision, it may be cheaper to pay overtime to a regular employee than to use a temporary worker.

### Employee Leasing

Employee leasing is similar to employing temporary personnel, but involves permanent employees. An employer transfers employees to the payroll of a leasing firm that, in turn, leases them back to the employer. The leasing firm becomes the legal employer and is responsible for payroll and leave; record-keeping; benefits and services; and participation in hiring, evaluation, and firing.

Advantages:

Savings of time and money

Improved employee benefits

Help with personnel policies and employee handbooks  
Records uniform and easily audited  
Disadvantages:

Leasing company exercises certain controls over employment policies  
Employer retains responsibility for productivity and conduct  
Termination may be more difficult  
Labor union contracts or state law might keep certain employers from leasing certain employees  
Most leasing firms require the value of one full payroll in an escrow or trust account in addition to regular payroll costs  
Service Contracting

Because of the infrequency of the need or the specialized nature of the work, many business needs are better met by contracting for the service rather than hiring permanent employees.

In these situations you enter a contract with a business to perform specific services, during a specific period or at a specific time, for a specific price. The terms of the contract cite responsibility for providing any materials or equipment necessary to perform the service and other requirements for successful completion. It is the contracting firm's responsibility to provide staff, pay them, and supervise them.

When contracting for services, it is wise to require:

1. References from other companies that have used the contractor and will comment on the quality of contract performance.
2. Certificates of insurance demonstrating that the contractor has adequate liability and other coverage for its employees.
3. Copies of required licenses for performance of certain services.
4. Appropriate warranty or guarantee on the quality of the work.
5. Clear payment schedule including possible retainage (holding back of a portion of payments) pending satisfactory completion of a project.
6. Proposals for services usually are presented and detailed on standard forms designed by the contractor. It is wise to have your legal counsel review the terms of the documents before you sign them, to avoid any misunderstanding of your obligations. Such a review also may suggest amendments benefiting you that are also acceptable to the contractor.

## Glossary Of Small Business Terms

**504 LOAN PROGRAM** Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the Certified Development Company (CDC) (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The maximum SBA debenture is \$1,000,000 for meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$35,000 provided by the SBA. The maximum SBA debenture is \$1.3 million for meeting a public policy goal.

**7(a) LOAN GUARANTY** The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans which are, in turn, guaranteed by the SBA -the Agency has no funds for direct lending or grants.

**7(j)** Under Section 7(j) of the Small Business Act, SBA is authorized to provide management and technical assistance, through grants and cooperative agreements to qualified service providers. The Agency is not authorized to award grants to assist individuals to start, operate, expand, rebuild, or purchase a business. The management and technical assistance includes specialized training, professional consulting and executive development. The qualified service providers, deliver the training and technical assistance to, eligible firms and individuals participating in SBA's Business Development program, other small disadvantaged businesses, low income individuals, and firms in either labor surplus areas or areas with a high proportion of low-income individuals.

**8(a)** The 8(a) Business Development program is designed to provide business development assistance and technical assistance to help socially and economically disadvantaged American businesses gain access to the mainstream American economy. The program is named for the section of the Small Business Act that authorizes its policies and procedures.

**8(a) Business Development Mentor-Protégé Program** Today's 8(a) Business Development Program is strengthened and improved to be a truly effective business development vehicle. New regulations permit 8(a) companies to form beneficial teaming partnerships and allow Federal agencies to streamline the contracting process. New rules make it easier for non-minority firms to participate by proving their social disadvantage. We also have implemented the new Mentor-Protégé Program to allow starting 8(a) companies to learn the ropes from experienced businesses. Our task is to teach 8(a) and other small companies how to compete in the Federal contracting arena and how to take advantage of greater subcontracting opportunities available from large firms as the result of public-private partnerships.

**8(a) Business Development Program** An SBA program for small firms owned by socially and economically disadvantaged persons. Firms admitted to the program can receive

Federal contracts designated for 8(a) Program participants, as well as management and technical assistance.

**ACCOUNTING** The recording, classifying, summarizing and interpreting in a significant manner and in terms of money, transactions and events of a financial character.

**ACCOUNTS PAYABLE** Trade accounts of businesses representing obligations to pay for goods and services received

**ACCOUNTS RECEIVABLE** Trade accounts of businesses representing moneys due for goods sold or services rendered evidenced by notes, statements, invoices or other written evidence of a present obligation.

**ACID RATIO** Current assets less inventories divided by current liabilities. Also known as "Quick Ratio."

**ACQUISITION** The acquiring of supplies or services by the federal government with appropriated funds through purchase or lease.

**ACT** Small Business Act Also see <http://www.sba.gov/library/lawroom.html>

**ADA** Americans with Disabilities Act The Americans with Disabilities Act (ADA) gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

**ADVOCACY** - is an SBA office created to be the voice for small business in the federal government and the source for small business statistics.

**ADVOCACY** Research and Statistics Research on small business economics and trends is conducted by SBA's Office of Advocacy. Economic statistics may be found by choosing "More..."

**AFFILIATES** Business concerns, organizations, or individuals that control each other or that are controlled by a third party. Control may include shared management or ownership; common use of facilities, equipment, and employees; or family interest. The calculation of a firm's size includes the employees or receipts of all affiliates. Affiliation with another business concern is based on the power to control, whether exercised or not. Such factors as common ownership, common management and identity of interest (often found in members of the same family), among others, are indicators of affiliation. Power to control exists when a party or parties have 50 percent or more ownership. It may also exist with considerably less than 50 percent ownership by contractual arrangement or when one or more parties own a large share compared to other parties. The affiliated business concerns need not be in the same line of business.

**AMORTIZATION** Gradual reduction of term debt by periodic payment sufficient to pay current interest and to eliminate the principal at maturity.



**ANCILLARY BOND** A type of surety bond where the surety company guarantees other factors which are incidental and essential to the performance of a contract.

**ANNUAL RECEIPTS** - are receipts averaged over a firm's latest 3 completed fiscal years to determine its average annual receipts. "Receipts" means the firm's gross or total income, plus cost of goods sold, as defined by or reported on the firm's Federal Income Tax return. The term does not include, however, net capital gains or losses, nor taxes collected for and remitted to a taxing authority if included in gross or total income. The firm may not deduct income taxes, property taxes, cost of materials or funds paid to subcontractors. Travel, real estate and advertising agents, providers of conference management services, freight forwarders and customs brokers may deduct amounts they collect on behalf of another. If a firm has not been in business for 3 years, the average weekly receipts for the number of weeks the firm has been in business is multiplied by 52 to determine its average annual receipts.

**ANSWER DESK** SBA maintains an Answer Desk staffed with multi-lingual personnel. You may either call them free or send an e-mail.

**APPRAISED VALUE** The value placed on an item, product or business by an appraiser, recognized for experience in a particular field.

**ASSETS** The entire property of a person, association, corporation, or estate applicable or subject to the payment of debts.

**ASSUMPTIONS** The act of assuming/undertaking another's debts or obligations.

**AUCTION** A public sale of goods to the highest bidder.

**AUTOMATIC DATA PROCESSING (ADP)** 1. Data processing largely performed by automatic means. 2. Pertaining to data processing equipment such as electrical accounting machines and electronic data processing equipment. 3. The discipline which deals with methods and techniques of automatic data processing.

**BAD DEBTS** Funds owing to a business which are determined to be uncollectible.

**BALANCE SHEET** Financial statement listing a company's assets, liabilities, and equity on a specific date.

**BANKING STUDIES LENDING STUDIES** The Office of Advocacy annually analyzes call report data collected by the Federal Reserve on the lending activity of about 8,500 individual reporting commercial banks. Banks are ranked based on their small business lending on a state-by-state basis.

**BANKRUPTCY** A condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets. In the action the property of a debtor is taken over by a receiver or trustee in bankruptcy for the benefit of the creditors. This action is conducted as prescribed by the National Bankruptcy Act, and may be voluntary or involuntary.

**BEST AND FINAL OFFER** For negotiated procurements, a contractor's final offer following the conclusion of discussions.

**BIC Business Information Center** One of more than 80 specialized U.S. Small Business Administration units which offer the latest in high-technology hardware, software and telecommunications to assist small business PLUS one-on-one counseling through SCORE and/or Small Business Development Center (SBDC) staff. Each BIC offers electronic bulleting boards, computer data bases, on-line information exchange, periodicals and brochures, counseling, video tapes, reference materials, texts, start-up guides, application software, computer tutorials and interactive media.

**BID BOND** A type of surety bond wherein the surety company guarantees the bidder will enter into a contract and furnish the required payment and performance bonds.

**BOOK VALUE** The value of an item or property at a specific time after deducting depreciation from original cost.

**BREAK-EVEN POINT** The break-even point in any business is that point at which the volume of sales or revenues exactly equals total expenses -the point at which there is neither a profit nor loss -under varying levels of activity. The break-even point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume and profits.

**BUNDLING REPORT** The purpose of this page is to provide a system to alert SBA's Office of Government Contracting of contract bundling practices on the part of federal agencies that preclude a small business from successfully competing for a contract.

**BUSINESS BIRTH** Formation of a new establishment or enterprise.

**BUSINESS CARD(S)** 1. A card identifying a business and an individual associated with that business. 2. An area of the SBA website for displaying business cards. **NOTICE:** Inclusion in SBA ONLINE BUSINESS CARDS does not constitute or imply an endorsement of any opinions, products and/or services of the listed company by SBA ONLINE or the U.S. Small Business Administration. Moreover, SBA Online and the U.S. Small Business Administration assume no liability for the accuracy of data or for the results of any contact with any company so listed. Your entered card will automatically go into our database; it will be reviewed to make sure that the written content does not offend our visitors and the public. SBA reserves the right to make minor edits to the content to conserve space.

**BUSINESS CONCERN** A business concern eligible for assistance as a small business is a business entity organized for profit, with a place of business located in the United States, and which operates primarily within the United States or makes a significant contribution to the US economy through payment of taxes or use of American products, materials, or labor.

**BUSINESS DEATH** Voluntary or involuntary closure of a firm or establishment.

**BUSINESS DISSOLUTION** For enumeration purposes, the absence from any current record of a business that was present in a prior time period.

**BUSINESS FAILURE** The closure of a business causing a loss to at least one creditor.

**BUSINESS INFORMATION CENTER (BIC)** One of more than 80 specialized U.S. Small Business Administration units which offer the latest in high-technology hardware, software and telecommunications to assist small business PLUS one-on-one counseling with seasoned business veterans from SCORE and/or staff from a Small Business Development Center (SBDC). Each BIC offers electronic bulletin boards, computer data bases, on-line information exchange, periodicals and brochures, counseling, video tapes, reference materials, texts, start-up guides, application software, computer tutorials and interactive media.

**BUSINESS PLAN** A comprehensive planning document which clearly describes the business developmental objective of an existing or proposed business applying for assistance in SBA's 8(a) or lending Programs. The plan outlines what and how and from where the resources needed to accomplish the objective will be obtained and utilized.

**BUSINESS START** For enumeration purposes, a business with a name or similar designation that did not exist in a prior time period.

**CAAC** See Civilian Agency Acquisition Council.

**CAIP** Community Adjustment and Investment Program The United States Community Adjustment and Investment Program was created to help communities that suffered job losses due to changing trade patterns with Mexico and Canada following the North American Free Trade Agreement (NAFTA). The CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and encourages business development and expansion in impacted areas. Through the CAIP, credit is available to businesses in eligible communities to create new, sustainable jobs or to preserve existing jobs.

**CALENDAR** SBA maintains calendars of events for all SBA Offices you may obtain counseling, training, and attend seminars free or at a nominal cost.

**CANCELED LOAN** The annulment or rescission of an approved loan prior to disbursement.

**CAPACITY TO REPAY** The determination made by a lender on whether a borrower can repay a loan after examining financial statements, financial ratios and operating data.

**CAPITAL** 1. Assets less liabilities, representing the ownership interest in a business; 2. A stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period; 3. Accumulated goods devoted to the production of goods; 4. Accumulated possessions calculated to bring income.

**CAPITAL EXPENDITURES** Business spending on additional plant equipment.

**CAPITALIZATION** The basic resources of a company including the owner's equity, retained earnings and fixed assets. One of the "Five C's" of Credit

**CAPITALIZED PROPERTY** Personal property of the business which has an average dollar value of \$300.00 or more and a life expectancy of one year or more. Capitalized property shall be depreciated annually over the expected useful life to the agency.

**CAPLINES LOAN PROGRAM** CAPLines is the umbrella program under which the SBA helps small businesses meet their short-term and cyclical working-capital needs.

**CARRYING COSTS** Inventory costs associated with capital, storage, handling expenses, insurance, taxes and obsolescence.

**CASH CONVERSION CYCLE** The length of time between the payment of payables and the collection of receivables.

**CASH DISCOUNT** An incentive offered by the seller to encourage the buyer to pay within a stipulated time. For example, if the terms are 2/10/N 30, the buyer may deduct 2 percent from the amount of the invoice (if paid within 10 days) otherwise, the full amount is due in 30 days.

**CASH FLOW** The movement of money into and out of your business.

**CASH FLOW STATEMENT** An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid. A projected cash flow statement indicates whether the business will have cash to pay its expenses, loans, and make a profit. Cash flows can be calculated for any given period of time, normally done on a monthly basis. Also, one of the Five "Cs" evaluated in determining a loan applicant's credit-worthiness

**CAWBO** Contract Assistance for Women Business Owners The Office of Federal Contract Assistance for Women Business Owners (CAWBO) was established October 1, 2000, in the Office of Government Contracting at the U.S. Small Business Administration. The purpose of the office is to increase federal contracting opportunities for women-owned small business (WOSB) and to increase the number of WOSB that successfully compete in the federal marketplace.

**CBD** Commerce Business Daily The Commerce Business Daily lists notices of proposed government procurement actions, contract awards, sales of government property, and other procurement information. All federal procurement offices are required to announce, in the CDB, proposed procurement actions over \$25,000 and contract awards over \$25,000 that are likely to result in the award of any subcontracts. Prime contractors are also encouraged to publish subcontracting opportunities in the CBD.

CCR Central Contract Registration A data base of all businesses contracting or seeking contracts with the federal government. It is maintained by the U.S. Department of Defense.

CDC Certified Development Company The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area.

CENTRAL CONTRACT REGISTRATION CCR A data base of all businesses contracting or seeking contracts with the federal government. It is maintained by the U.S. Department of Defense.

CERTIFICATE OF COMPETENCY COC A certificate issued by the Small Business Administration (SBA) stating that the holder is "responsible" (in terms of capability, competency, capacity, credit, integrity, perseverance, and tenacity) for the purpose of receiving and performing a specific government contract.

CERTIFICATE OF DEPOSIT Short-term instruments issued by commercial banks.

CERTIFICATION(s) or QUALIFICATION(s) REQUIREMENTS(s) "Certification" as a small business, as a socially and economically disadvantaged small business, as a woman-owned or veteran-owned business is required to be eligible for some SBA programs. Information on obtaining these and other certifications is available at "More..."

CERTIFIED 8(a) FIRM A firm owned and operated by socially and economically disadvantaged individuals and eligible to receive federal contracts under the Small Business Administration's 8(a) Business Development Program.

CERTIFIED DEVELOPMENT COMPANY CDC A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area

CERTIFIED LENDER PROGRAM CLP The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA. Certified lenders are those who have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround by the SBA on their applications (they may also use regular SBA loan processing). Certified lenders account for nearly a third of all SBA business loan guaranties.

**CHARACTER** The degree to which a potential borrower feels a moral obligation to repay debts as evidenced by the borrower's credit and payment history. One of the "Five Cs" used in a lending officer's determination of a particular loan applicant's credit-worthiness.

**CHARGED OFF LOAN** An uncollectible loan for which the principal and accrued interest were removed from the receivable accounts.

**CHARGE-OFF** An accounting transaction removing an uncollectible balance from the active receivable accounts.

**CIVILIAN AGENCY ACQUISITION COUNCIL (CAAC)** Civilian Agency Acquisition Council (CAAC).

**CLOSED LOAN** Any loan for which funds have been disbursed, and all required documentation has been executed, received and reviewed. For statistical purposes, first or total disbursement is counted as a closed loan.

**CLOSING** Actions and procedures required to effect the documentation and disbursement of loan funds after the application has been approved, and the execution of all required documentation and its filing and recordation where required.

**CLP Certified Lender Program** The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA. Certified lenders are those who have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround by the SBA on their applications (they may also use regular SBA loan processing). Certified lenders account for nearly a third of all SBA business loan guaranties.

**CMRs Commercial Market Representatives** SBA's Commercial Market Representatives (CMR's), located in area offices, assist small businesses in obtaining subcontracts by marketing small businesses and matching them with large prime contractors.

**COC Certificate of Competency** The Certificate of Competency (COC) program allows a small business to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government contract on which it is the apparent low bidder. When the small business applies for a COC, SBA industrial and financial specialists conduct a detailed review of the firm's capabilities to perform on the contract. If the business demonstrates the ability to perform, the SBA issues a COC to the contracting officer requiring the award of that specific contract to the small business.

**COLLATERAL** Something of value--securities, evidence of deposit or other property--pledged to support the repayment of an obligation. Also one of the Five "Cs" used in determining a loan applicant's credit worthiness.

**COLLATERAL DOCUMENT** A legal document covering the item(s) pledged as collateral on a loan, i.e., note, mortgages, assignment, etc.

**COLLECTION POLICY** Actions a business takes to collect slow-paying accounts.

**COMMERCE BUSINESS DAILY (CBD)** The Commerce Business Daily lists notices of proposed government procurement actions, contract awards, sales of government property, and other procurement information. All federal procurement offices are required to announce, in the CBD, proposed procurement actions over \$25,000 and contract awards over \$25,000 that are likely to result in the award of any subcontracts. Prime contractors are also encouraged to publish subcontracting opportunities in the CBD.

**COMMERCIAL PAPER** Unsecured promissory notes of large corporations.

**COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM (CAIP)** The United States Community Adjustment and Investment Program was created to help communities that suffered job losses due to changing trade patterns with Mexico and Canada following the North American Free Trade Agreement (NAFTA). The CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and encourages business development and expansion in impacted areas. Through the CAIP, credit is available to businesses in eligible communities to create new, sustainable jobs or to preserve existing jobs. The CAIP works with the SBA in both their 7(a) Loan Guarantee Program and 504 Program to reduce borrower costs and increase the availability of these proven business assistance programs.

**COMMUNITY EXPRESS** Community Express is a pilot SBA loan program that was developed in collaboration with the National Community Reinvestment Coalition (NCRC) and its member organizations. Under the pilot, which is available to selected lenders, an SBAExpress like program will be offered to pre-designated geographic areas serving mostly New Markets small businesses. The program will also include technical and management assistance, which is designed to help increase the loan applicant's chances of success.

**COMPROMISE** The settlement of a claim resulting from a defaulted loan for less than the full amount due. Compromise settlement is a procedure available for use only in instances where the government cannot collect the full amount due within a reasonable time, by enforced collection proceedings or where the cost of such proceedings would not justify such effort.

**CONDITIONS** External factors such as government regulation, competition, industry trends, national economic trends, that can affect the success of a business. One of the "Five Cs" of credit.

**CONSORTIUM** A coalition of organizations, such as banks and corporations, set up to fund ventures requiring large capital resources.

**CONTINGENCY FUND** Cash held for emergencies or unexpected outflows of funds. Also known as "Precautionary Balances."

**CONTINGENT LIABILITY** A potential obligation that may be incurred dependent upon the occurrence of a future event. Two examples are: (1) the liability of an endorser or

guarantor of a note if the primary borrower fails to pay as agreed and (2) the liability that would be incurred if a pending lawsuit is resolved in the other party's favor.

**CONTRACT** A mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them.

**CONTRACT ASSISTANCE FOR WOMEN BUSINESS OWNERS CAWBO** The Office of Federal Contract Assistance for Women Business Owners (CAWBO) was established October 1, 2000, in the Office of Government Contracting at the U.S. Small Business Administration. The purpose of the office is to increase federal contracting opportunities for women-owned small business (WOSB) and to increase the number of WOSBs that successfully compete in the federal marketplace.

**CONTRACTING** Purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes the description of supplies and services required, the selection and solicitation of sources, the preparation and award of contracts, and all phases of contract administration. It does not include grants or cooperative agreements.

**CONTRACTING OFFICER** A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

**CONTRACTOR TEAM ARRANGEMENT** An arrangement in which (a) two or more companies form a partnership or joint venture to act as potential prime contractor; or (b) an agreement by a potential prime contractor with one or more other companies to have them act as its subcontractors under a specified government contract or acquisition program.

**COPYRIGHT** The legal right granted to authors, composers, artists and publishers to protect their thoughts and ideas for exclusive publication, reproduction, sale and distribution of their works. Some of the material on SBA's web site is copyrighted and it will be so stated in the document. If it is not copyrighted we prefer that you link to our information rather than taking it and posting it on your site. Our information changes hourly and daily.

**CORPORATION** A group of persons granted a state charter legally recognizing them as a separate entity having its own rights, privileges, and liabilities distinct from those of its members. The process of incorporating should be completed with the state's secretary of state or state corporate counsel and usually requires the services of an attorney.

**COSTS** Money obligated for goods and services received during a given period of time, regardless of when ordered or whether paid for.

**COVENANT** A prescription for action in a loan document.

**COVENANT NOT TO COMPETE** The agreement by the seller of a business, not to enter into competition with the buyer of the business within a specific area for a specific period of time.



**CREDIT** Time allowed for the payment of goods or services sold on trust as well as confidence in the buyer's ability and intention to fulfill their financial obligations.

**CREDIT PERIOD** Length of time allowed before the credit buyer must pay for credit purchases.

**CREDIT POLICY** Actions taken by a business to grant, monitor and collect the cash for outstanding accounts receivable.

**CREDIT RATING** A grade assigned to a business concern to denote the net worth and credit standing to which the concern is entitled in the opinion of the rating agency as a result of its investigation.

**CURRENT ASSETS** Money, inventory and equipment that will be used up in the short term -usually within one year.

**CURRENT RATIO** The ratio of current assets to liabilities. Also called "quick ratio."

**CUSTOMER TARGETING** Identifying and marketing to those groups of customers most likely to buy a particular product or service, e.g., promoting boat products to boat owners.

**DATA ELEMENT** The basic unit of identifiable and definable information. A data element occupies the space provided by fields in a record or blocks on a form. It has an identifying name and value or values for expressing a specific fact. For example, a data element named "Color of Eyes" could have recorded values of "Blue (a name)," "BI (an abbreviation)," "06 (a code)." similarly, a data element named "Age of Employee" could have a recorded value of "28" (a numeric value).

**DATA UNIVERSAL NUMBERING SYSTEM (DUNS)** D&B's Data Universal Numbering System, the D&B D-U-N-S Number, has become the standard for keeping track of the world's businesses. The D&B D-U-N-S Number is D&B's distinctive nine-digit identification sequence, which identifies information products and services originating exclusively through D&B. The D&B D-U-N-S Number is an internationally recognized common company identifier in EDI and global electronic commerce transactions. The world's most influential standards-setting organizations, more than 50 global, industry and trade associations, and the U.S. Federal Government recognize, recommend and/or require the D&B D-U-N-S Number.

**DEBENTURE** Debt instrument evidencing the holder's right to receive interest and principal installments from the named obligor. Applies to all forms of unsecured, long-term debt evidenced by a certificate of debt.

**DEBT CAPITAL** Business financing that normally requires periodic interest payments and repayment of the principal within a specified time.

**DEBT FINANCING** The provision of long term loans to small business concerns in exchange for debt securities or a note.

**DEBT TO TOTAL ASSETS RATIO** Total debt divided by total assets.

**DEED OF TRUST** A document under seal which, when delivered, transfers a present interest in property. May be held as collateral.

**DEFAULTS** The nonpayment of principal and/or interest on the due date as provided by the terms and conditions of the note.

**DEFENSE ACQUISITION REGULATORY COUNCIL (DARC)** A group composed of representatives from each Military department, the Defense Logistics Agency, and the National Aeronautics and Space Administration and that is in charge of the Federal Acquisition Regulation (FAR) on a joint basis with the Civilian Agency Acquisition Council (CAAC).

**DEFENSE CONTRACTOR** Any person who enters into a contract with the United States for the production of material or for the performance of services for the national defense.

**DEFENSE LOAN AND TECHNICAL ASSISTANCE PROGRAM (DELTA)** A joint effort of the United States Small Business Administration and the Department of Defense to provide financial and technical assistance to defense-dependent small businesses adversely affected by defense reductions.

**DEFERRED LOAN** Loans whose principal and or interest installments are postponed for a specified period of time.

**DELTA** See Defense Loan and Technical Assistance Program.

**DELTA LOAN** See Defense Loan and Technical Assistance Program.

**DEPRECIATION SCHEDULE** An accounting procedure for determining the amount of value left in a piece of equipment.

**DISABLED** The "disabled" are individuals whose physical or mental abilities prevent them from fully participating in normal activities and/or functions of living. The intended beneficiaries of The Americans with Disabilities Act (ADA). ADA gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

**DISASTER** A disaster is a natural or human-caused occurrence causing vast destruction and distress. SBA's Disaster Loan Program offers financial assistance to those who are trying to rebuild their homes and businesses in the aftermath of a disaster. By offering low-interest loans, the SBA is committed to long-term recovery efforts. The agency does everything possible to meet the needs of those otherwise unable to put their lives back together.

**DISASTER AREA LOCATIONS** Who to contact in the event of a declared Disaster regarding small business.

**DISASTER ASSISTANCE** The purpose of the SBA's Disaster Loan Program is to offer financial assistance to those who are trying to rebuild their homes and businesses in the aftermath of a disaster. By offering low-interest loans, the SBA is committed to long-term recovery efforts. The agency will do everything possible to meet the needs of those otherwise unable to put their lives back together.

**DISBURSEMENT** The actual payout to borrower of loan funds, in whole or part. It may be concurrent with the closing, or follow it.

**DISBURSING OFFICER** An employee authorized to pay out cash or issue checks in settlement of vouchers approved by a certifying officer.

**DISCLAIMER** A statement regarding the responsibility and liability for website content and certain presenters, contractors, speakers, etc. Choosing "More..." at the end of this definition will lead you to SBA's Disclaimer Of Endorsement and Liability regarding the material in the upcoming viewing screens.

**DISCOUNT INTEREST RATE** One in which the amount of interest is deducted from the face value of the loan with the borrower receiving the remainder.

**DIVESTITURE** Change of ownership and/or control of a business from a majority (non-disadvantaged) to disadvantaged persons.

**DOT SBA/DOT Certification Reciprocity for Disadvantaged Businesses** The U.S. Small Business Administration (SBA) and the U.S. Department of Transportation (DOT) signed a memorandum of understanding that "reciprocally" streamlines the certification process for current and future 8(a) Business Development, Small Disadvantaged Business (SDB), and Disadvantaged Business Enterprise (DBE) program participants on Tuesday, November 23, 1999. In effect, this process will allow each agency to recognize the program certification of the other without duplicating paperwork. By streamlining certain procedures and requirements, it will reduce the burden on applicants. The agreement creates the start of a uniform application process for small disadvantaged business certification, reinventing the way the government does business with SDBs.

**DUNS Data Universal Numbering System** Data Universal Numbering System: the D&B D-U-N-S Number, has become the standard for keeping track of the world's businesses. The D&B D-U-N-S Number is D&B's distinctive nine-digit identification sequence, which identifies information products and services originating exclusively through D&B. The D&B D-U-N-S Number is an internationally recognized common company identifier in EDI and global electronic commerce transactions. The world's most influential standards-setting organizations, more than 50 global, industry and trade associations, and the U.S. Federal Government recognize, recommend and/or require the D&B D-U-N-S Number.

**EARNING POWER** The demonstrated ability of a business to earn a profit, over time, while following good accounting practices. When a business shows a reasonable profit on Business Start-Up, Where To Begin & How To Grow

invested capital after fully maintaining the business property, appropriately compensating its owner and employees, servicing its obligations, and fully recognizing its costs, the business may be said to have demonstrated earning power. Demonstrated earning power is the foremost test of the business risk in pressing upon an application for a loan.

**EASEMENT** A right or privilege that a person may have on another's land, as the right of a way or ingress or egress.

**E-BUSINESS INSTITUTE** SBA Knowledge is the most important asset small businesses will compete with in the 21st century. The E-Business Institute is a digital strategy for reaching new markets and training small business clients in a changing, global, 24/7 environment.

**EDI** Electronic Data Interchange: Transmission of information between computers using highly standardized electronic versions of common business documents.

**EEOC** Equal Employment Opportunity Commission Small Business Information The U.S. Equal Employment Opportunity Commission (EEOC) enforces the federal laws that prohibit employment discrimination on the basis of an individual's race, color, religion, sex, national origin, age, or disability.

**EFTPS** See Electronic Federal Tax Payment System.

**ELECTRONIC DATA INTERCHANGE** Transmission of information between computers using highly standardized electronic versions of common business documents.

**ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)** Electronic Federal Tax Payment System, provides an electronic system for paying federal taxes. The IRS replaced the current system of processing taxes in compliance with North American Free Trade Agreement (NAFTA) mandates, and now expedite the availability of funds and investment decision making information to the U.S. Treasury while providing flexible payment options to the business taxpayer

**EMERGING SMALL BUSINESS** A small business concern whose size is no greater than 50 percent of the numerical size standard applicable to the Standard Industrial Classification code assigned to a contracting opportunity.

**EMPLOYEE** Search for SBA Employee Names, phone, etc.

**EMPLOYEES** The number of employees of a firm is its average number of persons employed for each pay period over the firm's latest 12 months. Any person on the payroll must be included as one employee regardless of hours worked or temporary status. The number of employees of a firm in business under 12 months is based on the average for each pay period it has been in business.

**EMPLOYMENT INFORMATION** SBA An Equal Opportunity Employer

**ENTERPRISE** Aggregation of all establishments owned by a parent company. An enterprise can consist of a single, independent establishment or it can include subsidiaries or other branch establishments under the same ownership and control.

**ENTREPRENEUR** One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.

**EPA** Environmental Protection Agency with laws and regulations as a major tool in protecting the environment. Find out about:

**EQUITY** An accounting term used to describe the net investment of owners or stockholders in a business. Under the accounting equation, equity also represents the result of assets less liabilities.

**EQUITY FINANCING** The provision of funds for capital or operating expenses in exchange for capital stock, stock purchase warrants and options in the business financed, without any guaranteed return, but with the opportunity to share in the company's profits. Equity financing includes long-term subordinated securities containing stock options and/or warrants. Utilized in SBIC financing activities.

**EQUITY PARTNERSHIP** A limited partnership arrangement for providing start-up and seed capital to businesses.

**ESCROW ACCOUNTS** Funds placed in trust with a third party, by a borrower for a specific purpose and to be delivered to the borrower only upon the fulfillment of certain conditions.

**ESTABLISHMENT** A single-location business unit, which may be independent--called a single-establishment enterprise--or owned by a parent enterprise.

**EWCP** The Export Working Capital (EWCP) Program was designed to provide short-term working capital to exporters. The EWCP is a combined effort of the SBA and the Export-Import Bank. The two agencies have joined their working capital programs to offer a unified approach to the government's support of export financing. The EWCP uses a one-page application form and streamlined documentation with turnaround usually 10 days or less. A letter of prequalification is also available from the SBA.

**EXPORT ASSISTANCE CENTER USEAC** A USEAC is a one-stop center conducted by the SBA and the Department of Commerce to provide small and medium sized businesses with export information. For additional information see "More..."

**EXPORT WORKING CAPITAL** The Export Working Capital (EWCP) Program was designed to provide short-term working capital to exporters. The EWCP is a combined effort of the SBA and the Export-Import Bank. The two agencies have joined their working capital programs to offer a unified approach to the government's support of export financing. The EWCP uses a one-page application form and streamlined documentation with turnaround usually 10 days or less. A letter of prequalification is also available from the SBA.

**FAIR AND REASONABLE PRICE** A price that is fair to both parties, considering the agreed-upon conditions, promised quality, and timeliness of contract performance. "Fair and reasonable" price is subject to statutory and regulatory limitations.

**FAIR MARKET VALUE** What a qualified buyer will pay for goods, services, or property.

**FAQs** Frequently Asked Questions (FAQs)

**FAR** -Federal Acquisition Regulation Commonly referred to as the "FAR," the Federal Acquisition Regulations System was established for the codification and publication of uniform policies and procedures for acquisition of goods and services by all executive agencies. [Choosing More...](#) will take you to the FAR site.

**FEDERAL ACQUISITION REGULATION (FAR)** The body of regulations which is the primary source of authority governing the government procurement process. The FAR, which is published as Chapter 1 of Title 48 of the Code of Federal Regulations, is prepared, issued, and maintained under the joint auspices of the Secretary of Defense, the Administrator of General Services Administration, and the Administrator of the National Aeronautics and Space Administration. Actual responsibility for maintenance and revision of the FAR is vested jointly in the Defense Acquisition Regulatory Council (DARC) and the Civilian Agency Acquisition Council (CAAC).

**FEEDBACK** Your comments on the quality of the material you receive at this website. Your feedback is important to us and we also ask you to rate our site.

**FINANCIAL FORECAST** Projection of revenues and expenses for the next one to five years.

**FINANCIAL PLAN** An outline for how to use the money (capital) you have and how to raise the money you will need.

**FINANCIAL RATIOS** Measures of capital, including debt to asset, current, and debt to worth. See individual definitions for "acid," "current," "quick" ratios.

**FINANCIAL REPORTS** Reports commonly required from applicants request for financial assistance, e.g.: Balance Sheet -A report of the status of a firm's assets, liabilities and owner's equity at a given time.

**FINANCING** New funds provided to a business, by either loans or purchase of debt securities or capital stock.

**FirstGov** FirstGov is a public-private partnership, led by a cross-agency board and administered by the Office of FirstGov in the General Services Administration's Office of Government wide Policy.

**FIVE "Cs" OF CREDIT** A system used by lending officers to evaluate a loan application: Character, Cash Flow, Collateral, Capitalization and Conditions. See individual definitions.

**FIXED ASSETS** Equipment, buildings, etc., which are purchased and used for long-term purposes.

**FIXED COSTS** Costs of doing business such as rent, utilities, depreciation, taxes, etc., that remain generally the same regardless of the amount of sales of goods or services.

**FLOW CHART** A graphical representation for the definition, analysis, or solution of a problem, in which symbols are used to represent operations, data, flow, equipment, etc.

**FOIA** Freedom of Information Act. The FOIA, enacted in 1966, generally provides that any person has a right of access to federal agency records. This right of access is enforceable in court except for those records that are protected from disclosure by the nine exemptions to the FOIA, which are discussed in the text.

**FOIA Online Library** FOIA Library Online compendium of documents that will save you the time and effort of requesting it/them through channels.

**FORECLOSURE** The act by the mortgagee or trustee upon default, in the payment of interest or principal of a mortgage of enforcing payment of the debt by selling the underlying security.

**FORMS** IRS Internal Revenue Service (IRS) Forms

**FORMS** SBA and forms related to Small Business Several application forms are maintained on our site some are fillable and printable online.

**FRANCHISE REGISTRY** SBA's Franchise Registry is a good example of helping small businesses owners through cooperation between government and industry. The dedicated efforts of SBA employees, franchisees, franchisors, and lenders have led to streamlined eligibility guidelines and operating procedures that will reduce costs and processing time and help SBA serve its customers better.

**FRANCHISING** A continuing relationship in which the franchisor provides a licensed privilege to the franchisee to do business, and offers assistance in organizing, training, merchandising, marketing and managing in return for a consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers(franchisees). The product, method or service being marketed is usually identified by the franchisor's brand name, and the holder of the privilege (franchisee) is often given exclusive access to a defined geographical area.

**FREEDOM OF INFORMATION ACT** FOIA The FOIA, enacted in 1966, generally provides that any person has a right of access to federal agency records. This right of access is enforceable in court except for those records that are protected from disclosure by the nine exemptions to the FOIA, which are discussed in the text.

**FULL AND OPEN COMPETITION** With respect to a contract action, "full and open" competition means that all responsible sources are permitted to compete.

**GDP** Gross Domestic Product The most comprehensive single measure of aggregate economic output. Represents the market value of the total output of the goods and services produced by a nation's economy.

**GEOGRAPHIC TARGETING** Specializing in serving the needs of customers in a particular area, thus restricting advertising and other marketing efforts to that area.

**GILS** Government Information Locator Service For more see the GILS web site.

**GNP** Gross National Product A measure of a nation's aggregate economic output. Since 1991 GDP, a slightly different calculation, has replaced GNP as a measure of U.S. economic output.

**GOALING** Each year, our government spends billions of dollars in goods and services purchases from private firms. To foster an equitable federal procurement policy, government-wide small business goals, in terms of a percentage of annual expenditure, are established for federal agencies. SBA negotiates the goals annually with each federal agency on an individual basis.

**GOODWILL** An intangible asset of a business that relates to a favorable relationship with customers, and excess earning power.

**GOPHER** Predecessor to the World Wide Web a text based version of our web site. There are many lists of valuable sources of information including address/phone lists for all SBA offices, Business Information Centers, SBA Disaster Area Offices, SCORE, Small Business Development Centers, Small Business Investment Companies, and Veterans Affairs Officers.

**GRANT** Money given to a business that does not need to be repaid.

**GROSS DOMESTIC PRODUCT (GDP)** The most comprehensive single measure of aggregate economic output. Represents the market value of the total output of the goods and services produced by a nation's economy.

**GROSS NATIONAL PRODUCT (GNP)** A measure of a nation's aggregate economic output. Since 1991 GDP, a slightly different calculation, has replaced GNP as a measure of U.S. economic output.

**GUARANTEED LOAN** A loan made and serviced by a lending institution under agreement that a governmental agency will purchase the guaranteed portion if the borrower defaults.

**GUARANTY** Promise by an individual or organization to repay a loan in the event of default.

**GUIDE TO SBA'S DEFINITIONS OF SMALL BUSINESS** The U. S. Small Business Administration (SBA) has prepared a guide to assist the general public in understanding SBA's definitions of a small business. They are termed "size standards," and represent the largest a firm can be and still be considered a small business. This guide provides general information on size standard requirements and also addresses most of the typical concerns of the public regarding the use of size standards.



**HANDICAPPED** A term often used synonymously with "Disabled" to indicate individuals whose physically or mental abilities prevent them from fully function in normal activities. The Americans with Disabilities Act (ADA) gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

**HARDWARE** A term used to describe the mechanical, electrical and electronic elements of a data processing system.

**HAZARD INSURANCE** Insurance required showing lender as loss payee covering certain risks on real and personal property used for securing loans.

**HELP DESK** SBA maintains an Answer Desk staffed with multi-lingual personnel. You may either call them free or send an e-mail.

**HUBZone** Historically Underutilized Business Zones Through the HUBzone Empowerment Contracting program federal contracting opportunities are provided for qualified small businesses located in distressed areas. Fostering the growth of these federal contractors as viable businesses, for the long term, helps to empower communities, create jobs, and attract private investment.

**INCOME STATEMENT** Financial statement showing a company's sales, expense and net income or loss for a specific period of time.

**INCUBATOR** A facility designed to encourage entrepreneurship and minimize obstacles to new business formation and growth, particularly for high technology firms, by housing a number of fledgling enterprises that share an array of services. These shared services may include meeting areas, secretarial services, accounting services, research libraries, on-site financial and management counseling and word processing facilities.

**INDEPENDENT AND QUALIFIED PUBLIC ACCOUNTANTS** Public accountants are independent when neither they nor any of their family have a material, direct or indirect financial interest in the borrower other than as an accountant. They are qualified, unless there is contrary evidence, when they are either (1) certified, licensed, or otherwise registered if so required by the state in which they work, or(2) have worked as a public accountant for at least five years and are accepted by SBA.

**INDUSTRIAL REVENUE BOND (IRB)** A tax-exempt bond issued by a state or local government agency to finance industrial or commercial projects that serve a public good. The bond usually is not backed by the full faith and credit of the government that issues it, but is repaid solely from the revenues of the project and requires a private sector commitment for repayment.

**INDUSTRY** Concerns primarily engaged in the same kind of economic activity are classified in the same industry regardless of their types of ownership (such as sole proprietorship, partnership or corporation). The US Office of Management and Budget Business Start-Up, Where To Begin & How To Grow

(OMB) classifies approximately 1,000 activities as industries under NAICS. For each industry, except those in the Sector of public administration, SBA has established a size standard. Industries are described in detail in North American Industry Classification System – United States, 1997. It can be found in many libraries or purchased from the National Technical Information Service, by calling (800) 553-6847 or (703) 605-6000.

**INNOVATION** Introduction of a new idea into the marketplace in the form of a new product or service, or an improvement in organization or process.

**INSOLVENCY** The inability of a borrower to meet financial obligations as they mature, or having insufficient assets to pay legal debts.

**INSTALLMENT LOAN** One in which the amount of interest is added to the principal and repaid by the borrower in equal periodic payments.

**INTEREST** An amount paid a lender for the use of funds.

**INTEREST RATES APPLICABLE TO SBA LOANS** Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate.

**INTERMEDIARIES BusinessLINC** Intermediaries are organizations that play a fundamental role in encouraging, promoting, and facilitating business-to-business relationships and mentor-protégé partnerships. In addition to their many other functions, many organizations serve as intermediaries between the community and business, for businesses within an industry, for businesses within a geographic area, and for businesses with state and/or local governments. In their various capacities, many of these organizations accumulate information about programs that are offered by their members, in their community, or in their industry. As a result, these organizations are in a unique position to serve as a go-between for potential business-to-business relationships or mentor-protégé partnerships.

**INTERMEDIARY ORGANIZATION** Organizations that play a fundamental role in encouraging, promoting, and facilitating business-to-business linkages and mentor-protégé partnerships. These can include both nonprofit and for-profit organizations: chambers of commerce; trade associations; local, civic, and community groups; state and local governments; academic institutions; and private corporations.

**INVENTORY** Merchandise that is purchased and/or produced and stored for eventual sale.

**INVENTORY TURNOVER** How often the inventory is sold and replenished over the course of a year.

**INVERSE ORDER OF MATURITY** When payments are received from borrowers that are larger than the authorized repayment schedules the overpayment is credited to the final installments of the principal which reduces the maturity of the loan and does not affect the original repayment schedule.

**INVESTMENT BANKING** Businesses specializing in the formation of capital. This is done by outright purchase and sale of securities offered by the issuer, standby underwriting or "best efforts selling."

**INVITATION FOR BIDS** Formal solicitations for offerings, to perform procurements by competitive bids when the specifications describe the requirements of the government clearly, accurately, and completely; but avoiding unnecessarily restrictive specifications or requirements which might unduly limit the number of bidders.

**IRS** Internal Revenue Service with our link going to their publications and notices

**IRS Forms** Internal Revenue Service (IRS) Forms

**JOB DESCRIPTION** A written statement listing the elements of a particular job or occupation, e.g., purpose, duties, equipment used, qualifications, training, physical and mental demands, working conditions, etc.

**JOBS** SBA occasionally has job vacancies open to the public. Choose More... for a listing of vacancies that may exist at this time.

**JOBS PAY TABLES GOVERNMENT** Choose More... for the latest OPM tables.

**JOINT VENTURE** In a joint venture both firms share, in some proportion, the responsibility and the profits or loss on a contract. They are considered affiliated (see "Affiliates," above) for the purpose of that contract. Normally, the revenues or the employees of both firms are added together to determine the size of a joint venture. However, on certain large Federal procurements, a joint venture comprised of only small businesses would qualify as a small business joint venture. This is limited to procurements that exceed \$10 million in value that are classified with an NAICS industry having an employee-based size standard, or that exceeds one-half of the size standard for procurements classified with an NAICS industry having a revenue-based size standard. Also, certain 8(a) firms may joint venture with other firms without being considered affiliates (see 13 CFR 121.103 and 124.513 for more information).

**JUDGMENT** Judicial determination of the existence of an indebtedness, or other legal liability.

**JUDGMENT BY CONFESSION** The act of debtors permitting judgment to be entered against them for a given sum with a statement to that effect, without the institution of legal proceedings.

**JUNK BOND** A high-yield corporate bond issue with a below-investment rating that became a growing source of corporate funding in the 1980s.

**LAWS & REGULATIONS** SBA For those pertinent to small business, please see...

**LEASE** A contract between the owner (lessor) and the tenant (lessee) stating the conditions under which the tenant may occupy or use real estate or equipment. Terms usually include a specific period of time and a predetermined rate.

**LEASE RATE** The period rental payment to a lessor for the use of assets. It may also be considered as the implicit interest rate in minimum lease payments.

**LEGAL RATE OF INTEREST** The maximum rate of interest fixed by the laws of the various states, which a lender may charge a borrower for the use of money.

**LENDING INSTITUTION** Any institution, including a commercial bank, savings and loan association, commercial finance company, or other lender qualified to participate with SBA in the making of loans.

**LESSEE** The user of equipment or property being leased.

**LESSOR** The party to a lease agreement who has legal or tax title to equipment or property, who grants the lessee the right to use the equipment or property for the lease term, and who is entitled to the rental fees.

**LEVERAGED BUY-OUT** The purchase of a business, with financing provided largely by borrowed money, often in the form of junk bonds.

**LIABILITY** Debt owed by the company such as bank loans or accounts payable.

**LICENSE LICENSES BUSINESS REGISTRATION** Businesses are licensed and registered at local and state levels of government. Each state has their own mechanism or criteria for obtaining licenses. Choosing "More..." will take you to state site listings.

**LIEN** A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.

**LINE OF CREDIT** A short-term loan, usually less than one year.

**LINKING CRITERIA** SBA requirements for establishing a link from the SBA website to another website. Choosing "More..." will lead you to SBA's linking criteria and a submission form.

**LIQUID ASSETS** Cash, checks and easily-convertible securities available to meet immediate and emergency needs.

**LIQUIDATION** The disposal, at maximum prices, of the collateral securing a loan, and the voluntary and enforced collection of the remaining loan balance from the obligators and/or guarantors.

**LIQUIDATION VALUE** The net value realizable in the sale (ordinarily a forced sale) of a business or a particular asset.

**LISTSERVER** A service where individuals can subscribe to and receive SBA and other publications by electronic mail.

**LITIGATION** Refers to a loan in "liquidation status" which has been referred attorneys for legal action. Also: The practice of taking legal action through the judicial process.

**LOAN AGREEMENT** Agreement to be executed by borrower, containing pertinent terms, conditions, covenants and restrictions.

**LOAN FORMS** Several application forms for various SBA programs are maintained on our site some are fillable and printable online.

**LOAN PAYOFF AMOUNT** The total amount of money needed to meet a borrower's obligation on a loan. It is arrived at by accruing gross interest for one day and multiplying this figure by the number of days that exist between the date of the last repayment and the date on which the loan is to be completely paid off. This amount, known as accrued interest, is combined with the latest principal and escrow balances that are applicable to what is now referred to as the loan payoff amount. In the case where prepaid interest exceeds the accrued interest the latter is subtracted from the former and the difference is used to reduce the total amount owed.

**LOANS 7(A) Loan Guaranty Program Financing Your Business 7(A) Loan Guaranty Program General Description What SBA Seeks in a Loan Application Loan Amounts Eligibility Loan Maturities Interest Rates Associated Fees Guaranty Percents Prepayment Specialized 7(A) Loan Programs GENERAL DESCRIPTION** The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans which are, in turn, guaranteed by the SBA -the Agency has no funds for direct lending or grants.

**LOANS Pollution Control Loan Program** Pollution Control Loans are intended to provide loan guarantees to eligible small businesses for the financing of the planning, design, or installation of a pollution control facility. This facility must prevent, reduce, abate, or control any form of pollution, including recycling.

**LOANS SBA LowDoc Loan Program** SBA LowDoc Further streamlines the making of small business loans. The maximum loan-\$150,000. Calls for a response from the SBA within 36 hours of receiving a complete application. Guaranty percent follows 7(a) policy

**LOANS Veterans** The SBA has not been provided funds for direct loans to Veterans, although Veterans are eligible for special consideration under SBA's guaranty loan programs. The special consideration given such individuals includes:

**LOCAL SBA OFFICES** SBA maintains offices in all States, Puerto Rico, and Guam.

**LONG TERM** Period usually greater than one year.

**LOSS RATE** A rate developed by comparing the ratio of total loans charged off to the total loans disbursed from inception of the program to the present date.

**LOSS RESERVE ADJUSTMENT RATE** A reserve rate based upon the ratio of the aggregate net chargeoffs (chargeoffs less recoveries) for the most recent five years to the total average loans outstanding for the comparable 5-year period.

**MARKET** The existing or potential buyers for specific goods or services.

**MARKET VALUE** What a willing buyer will pay for goods, services, a property or a business.

**MARKETING** The total of activities involved in the transfer of goods and services from the /producer or seller to the consumer or buyer. Marketing activities may include buying, storing selling, advertising, pricing and promoting products.

**MARKUP** Markup is the difference between invoice cost and selling price. It may be expressed either as a percentage of the selling price or the cost price and is supposed to cover all the costs of doing business plus a profit. Whether markup is based on the selling price or the cost price, the base is always equal to 100 percent.

**MATURITY** The date on which a loan becomes due.

**MATURITY EXTENSIONS** Extensions of payment beyond the original period established for repayment of a loan.

**MEDIA ALERTS** SBA issues Media Alerts of significant upcoming events in the small business community. Choosing More... will take you to our Headline News area.

**MENTOR** A business, usually large, or other organization that has created a specialized program to advance strategic relationships with small businesses.

**MENTOR 8(a)** The U.S. Small Business Administration's (SBA) Mentor-Protégé program enhances the capability of 8(a) participants to compete more successfully for federal government contracts. The program encourages private-sector relationships and expands SBA's efforts to identify and respond to the developmental needs of 8(a) clients.

**MENTOR BusinessLINC** The Mentor Network is composed of large businesses that have created specialized programs that advance strategic relationships with small businesses. These programs range from classroom teaching, to one-on-one technical assistance, to peer groups and advisory boards, to supplier development programs. Often these programs lead to the development of business relationships that may lead to subcontracting opportunities or other business opportunities.

**MERGER** A combination of two or more corporations wherein the dominant unit absorbs the passive ones, the former continuing operation usually under the same name. In a consolidation two units combine and are succeeded by a new corporation, usually with a new title.

**MICROENTERPRISE DEVELOPMENT** The mission of the Interagency Workgroup on Microenterprise Development is to better coordinate the work of federal agencies involved Business Start-Up, Where To Begin & How To Grow

in microenterprise efforts and to develop a coherent framework for federal government efforts to promote microenterprise.

**MICROLOAN PROGRAM** The MicroLoan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

**MONEY** A full listing of loan programs is on our web site in the Financing Your Business area.

**MORTGAGE** An instrument giving legal title to secure the repayment of a loan made by the mortgagee (lender). In legal contemplation there are two types: (1) title theory - operates as a transfer of the legal title of the property to the mortgagee, and (2) lien theory - creates a lien upon the property in favor of the mortgagee.

**NATURAL RESOURCES ASSISTANCE PROGRAM** The federal government sells large quantities of natural resources and surplus real and personal property authorized for sale in accordance with public law. SBA cooperates with other federal agencies to channel a fair share of this property and resources to small businesses. SBA's Natural Resources Sales Assistance Program is intended to ensure small businesses obtain a fair share of government property sales and leases through small business set-asides. SBA also provides counseling and other assistance to small businesses on government sales and leasing.

**NEGATIVE NET WORTH** A business condition when total liabilities exceed total assets.

**NEGOTIATED GRIEVANCE PROCEDURE** The sole and exclusive procedure available to all employees in a bargaining unit and the employer for processing grievances and disputes.

**NEGOTIATION** Contracting through the use of either competitive or other-than-competitive proposals and discussions. Any contract awarded without using sealed bidding procedures is a negotiated contract.

**NEGOTIATION (CONTRACTING)** Contracting through the use of either competitive or other-than-competitive proposals and discussions. Any contract awarded without using sealed bidding procedures is a negotiated contract.

**NEGOTIATION (EMPLOYEE)** The "face to face" process used by local unions and the employer to exchange their views on those matters involving personnel policies and practices, or other matters affecting the working conditions of employees in the unit and reduced to a written binding agreement. Used also by contracting officers to reach agreement with potential contractors.

**NEGOTIATION DISPUTE** That point in negotiations where labor and management cannot come to an agreement on some or all of the issues on the bargaining table and the services of the FMCS have not been utilized.

**NET WORTH** Property owned (assets), minus debts and obligations owed (liabilities), is the owner's equity (net worth).

**NEW MARKETS VENTURE CAPITAL NMVC** The New Markets Venture Capital (NMVC) program is modeled after the Small Business Administration's extremely successful Small Business Investment Company (SBIC) program but has a specific mission of economic development in low-income (LI) areas. Through a combination of equity-type financing and intensive operational assistance to smaller businesses located in LI areas, the program seeks to assist local entrepreneurs, create quality employment opportunities for residents and build wealth within these communities. SBA intends to achieve these public policy objectives through financial assistance to newly formed NMVC companies and to existing Specialized Small Business Investment Companies (SSBICs).

**NEWS/NEWS RELEASES** SBA issues news releases and media alerts of significant happenings or decisions in the small business community. Choosing More... will take you to our Headline News area.

**NMVC New Markets Venture Capital** The New Markets Venture Capital (NMVC) program is modeled after the Small Business Administration's extremely successful Small Business Investment Company (SBIC) program but has a specific mission of economic development in low-income (LI) areas. Through a combination of equity-type financing and intensive operational assistance to smaller businesses located in LI areas, the program seeks to assist local entrepreneurs, create quality employment opportunities for residents and build wealth within these communities. SBA intends to achieve these public policy objectives through financial assistance to newly formed NMVC companies and to existing Specialized Small Business Investment Companies (SSBICs).

**NON SET-ASIDE REPORT** The purpose of this page is to provide a system to alert SBA's Office of Government Contracting when Government Acquisition Offices do not set aside requirements for Small Business.

**NONMANUFACTURER** For purposes of Federal government contracts, a firm that supplies a product it did not manufacture is termed a nonmanufacturer. To qualify for Federal government contracting, a nonmanufacturer must have 500 or fewer employees, be primarily in the wholesale or retail trade, and supply the product of a US small manufacturer. This requirement is called the "nonmanufacturer rule." This rule does not apply to supply contracts of \$25,000 or less that are processed under Simplified Acquisition Procedures. The requirement may also be waived through formal procedure by the Associate Administrator for Government Contracting if there is no small manufacturer in the Federal market for a class of products.

**NONMANUFACTURER RULE WAIVERS** Section 303 (h) of Public Law 100-656 and Section 210 of Public Law 101-574 incorporated into the Small Business Act requires that agency contracts be directed solely to small business manufacturers under set-aside



provisions. This requirement is commonly referred to as the Nonmanufacturer Rule. The Small Business Act also contains provisions that allow the Administrator of the SBA to waive this requirement when there are no small business manufacturers or processors available to supply the product to the Federal Government.

**NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)** The North American Industry Classification System (NAICS) is replacing the U.S. Standard Industrial Classification (SIC) system. NAICS will reshape the way we view our changing economy. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America.

**NOT DOMINANT** A concern is not dominant in its field of operation when it does not exercise a controlling or major influence on an industry. As part of its review of a size standard, SBA investigates if a concern at or below a particular standard would be dominant in the industry, on a national basis. Thus, a concern at or below the size standard is presumed not to be dominant in its field of operation.

**NOTES AND ACCOUNTS RECEIVABLE** A secured or unsecured receivable evidenced by a note or open account arising from activities involving liquidation and disposal of loan collateral.

**OBLIGATIONS** Technically defined as "amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period." Also, another term for debt: money, merchandise or service owed to someone.

**OFFICE OF SMALL & DISADVANTAGED BUSINESS UTILIZATION (OSDBU)** Federal Offices of Small and Disadvantaged Business Utilization (OSDBUs) offer small business information on procurement opportunities, guidance on procurement procedures, and identification of both prime and subcontracting opportunities.

**OFFICES AND SERVICES/SBA** SBA has more than 90 offices in the United States to serve your local needs.

**OHA Office of Hearings and Appeals** The Office of Hearings and Appeals, an independent office of the Small Business Administration (SBA or Agency). It is composed of two offices, the Office of Hearings and Appeals (OHA), and the Freedom of Information/Privacy Acts (FOI/PA) Office. The Small Business Administration established the Office of Hearings and Appeals (OHA) in 1983 to provide an independent, quasi-judicial appeal of certain SBA program decisions. OHA succeeded the SBA Size Appeals Board. Over the years, the SBA has expanded OHA's mission.

**OMBUDSMAN** The National Ombudsman and the Fairness Boards will receive comments about federal compliance and enforcement activities from small businesses, and report these findings to Congress every year. The report will give each agency a kind of "customer satisfaction rating" by evaluating the enforcement activities of regulatory agency personnel and rating the regional and program offices of the regulatory agencies responsiveness to small business.

**ORDERING COSTS** Administrative costs of placing, tracking, shipping, receiving and paying for an order.

**ORDINARY INTEREST** Simple interest based on a year of 360 days, contrasting with exact interest having a base year of 365 days.

**OSDBU** See Office of Small & Disadvantaged Business Utilization.

**OSHA (OCCUPATIONAL SAFETY & HEALTH ACT)** To assure safe and healthful working conditions for working men and women; by authorizing enforcement of the standards developed under the Act; by assisting and encouraging the States in their efforts to assure safe and healthful working conditions; by providing for research, information, education, and training in the field of occupational safety and health; and for other purposes.

**OUTLAYS** Net disbursements (cash payments in excess of cash receipts) for administrative expenses and for loans and related costs and expenses (e.g., gross disbursements for loans and expenses minus loan repayments, interest and fee income collected, and reimbursements received for services performed for other agencies).

**PARTNERING** A mutually beneficial business-to-business relationship based on trust and commitment and that enhances the capabilities of both parties.

**PARTNERSHIP** A legal relationship existing between two or more persons contractually associated as joint principals in a business.

**PATENT** A patent secures to an inventor the exclusive right to make, use and sell an invention for 17 years. Inventors should contact the U.S. Department of Commerce Patent Office.

**PAY TABLES** Government Choose More... for the latest OPM tables.

**PAYMENT BOND** A type of surety bond wherein the surety company guarantees payment from the contractor to parties who furnish labor, materials, equipment and supplies for a contract.

**PCRs Procurement Center Representatives** SBA's Procurement Center Representatives (PCRs) (Word 97) or (PDF), located in area offices, review and evaluate the small business programs of federal agencies and assist small businesses in obtaining federal contracts and subcontracts. Choosing More... will take you to a PDF listing. Or you may go to Word 97 listing at <http://www.sba.gov/gc/pcr.doc>

**PDF** Portable Document Format Many Government agencies now present information in

**PERFORMANCE BOND** A type of surety bond where the surety company guarantees the contractor will fulfill the contract in accordance with its terms.

**PETTY CASH** A small fund maintained for incidental expenses.

**PMI Presidential Management Intern Program** The PMI Program has been attracting outstanding graduate students to Federal service for the past 19 years. Executive Order 12364 established the program in 1977. According to the Executive Order, the purpose of the Presidential Management Intern Program is to: Attract to the Federal Service outstanding men and women from a variety of academic disciplines who have a clear interest in, and commitment to, a career in the analysis and management of public policy.

**POLLUTION CONTROL LOAN PROGRAM** Pollution Control Loans are intended to provide loan guarantees to eligible small businesses for the financing of the planning, design, or installation of a pollution control facility. This facility must prevent, reduce, abate, or control any form of pollution, including recycling.

**PRECAUTIONARY BALANCES** Cash held for emergencies or unexpected outflows of funds. Also known as "contingency fund."

**PREFERRED LENDER PROGRAM (PLP)** The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA. Preferred lenders are chosen from among the SBA's best lenders and enjoy full delegation of lending authority in exchange for a lower rate of guaranty. This lending authority must be renewed at least every two years, and the lender's portfolio is examined by the SBA periodically. Preferred loans account for more than 10 percent of SBA loans.

**PREQUAL** The Prequalification Pilot Loan Program uses intermediaries to assist prospective borrowers in developing viable loan application packages and securing loans. Once the loan package is assembled, it is submitted to the SBA for expedited consideration; a decision usually is made within three days. If the application is approved, the SBA issues a letter of prequalification stating the SBA's intent to guarantee the loan.

**PRESS/PRESS RELEASES** SBA issues press releases and Media Alerts of significant happenings or decisions in the small business community. Choosing More... will take you to our Headline News area.

**PRIME Program for Investment in Microentrepreneurs Act:** The U.S. Small Business Administration plans to issue Federal grants awards to qualified organizations under PRIME to provide training and technical assistance to disadvantaged microentrepreneurs. These organizations include: non-profit microenterprise development organizations or programs; intermediaries; other microenterprise development organizations or programs that are accountable to a local community, working in conjunction with a State or local government or Indian tribe; or Indian tribes acting on their own, with proper certification that no other qualified organization exists within their jurisdiction.

**PRIME CONTRACT** A contract awarded directly by the Federal government.

**PRIME RATE** Interest rate which is charged business borrowers having the highest credit ratings, for short term borrowing. As published daily in the Wall Street Journal, it is the basis for rates to other lenders.

**PROCUREMENT FORECASTS Annual** The Small Business Act requires that agencies annually publish a list of their requirements for upcoming fiscal year. These listings may be accessed through individual agency websites or the SBA website.

**PRODUCT LIABILITY** Type of tort or civil liability that applies to product manufacturers and sellers.

**PROFESSIONAL AND TRADE ASSOCIATIONS** Non-profit, cooperative and voluntary organizations that are designed to help their members in dealing with problems of mutual interest. In many instances professional and trade associations enter into an agreement with SBA to provide volunteer counseling to the small business community.

**PRO-Net** SBA's Procurement Marketing Access Network, or PRO-Net, is a "virtual" one-stop procurement shop. The database offers an electronic search engine for contracting officers and serves as a marketing tool for small businesses that register with the system. It contains the profiles of thousands of small firms.

**PROPRIETORSHIP** The most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.

**PROTEGE 8(a)** The U.S. Small Business Administration's (SBA) Mentor-Protégé program enhances the capability of 8(a) participants to compete more successfully for federal government contracts. The program encourages private-sector relationships and expands SBA's efforts to identify and respond to the developmental needs of 8(a) clients.

**PROTEGE BusinessLINC** In previous business-to-business relationship programs, the relationship between the large company and small business was referred to as mentor-protégé programs. The BusinessLINC Protégé Network is a comprehensive on-line data base that provides immediate registration for both protégé opportunities and small business procurement/contracting opportunities through SBA's PRO-Net system. Protégé registration is hyper linked to PRO-Net so that your information can efficiently be included in small business profiles scanned by large businesses for both mentor-protégé relationships and small business contracting opportunities. One registration is all that is needed to make your business available to both opportunities!

**PROTEST** A statement in writing by any bidder or offeror on a particular procurement alleging that another bidder or offeror on such procurement is not a small business concern.

**PTACs Procurement Technical Assistance Centers** The Defense Logistics Agency, on behalf of the Secretary of Defense, administers the DoD Procurement Technical Assistance (PTA) Cooperative Agreement Program. PTA Centers are a local resource available to provide assistance to business firms in marketing products and services to the Federal, state and local governments.

**QUALIFIED EMPLOYEE TRUSTS LOAN PROGRAM** The objective of this program is to provide financial assistance to Employee Stock Ownership Plans. The employee trust

must be part of a plan sponsored by the employer company and qualified under regulations set by either the Internal Revenue Service Code (as an Employee Stock Ownership Plan or ESOP) or the Department of Labor (the Employee Retirement Income Security Act or ERISA). Applicants covered by the ERISA regulations must also secure an exemption from the Department of Labor regulations prohibiting certain loan transactions.

**QUICK RATIO** Current assets less inventories divided by current liabilities. Also called "acid ratio."

**RATIO** Denotes relationships of items within and between financial statements, e.g., current ratio, quick ratio, inventory turnover ratio and debt/net worth ratios.

**RECEIVABLE CONVERSION PERIOD RCP** Time between the sale of the final product on credit and cash receipts for the accounts payable.

**RECIPROCITY SBA/DOT Certification Reciprocity for Disadvantaged Businesses** The U.S. Small Business Administration (SBA) and the U.S. Department of Transportation (DOT) signed a memorandum of understanding that "reciprocally" streamlines the certification process for current and future 8(a) Business Development, Small Disadvantaged Business (SDB), and Disadvantaged Business Enterprise (DBE) program participants on Tuesday, November 23, 1999. In effect, this process will allow each agency to recognize the program certification of the other without duplicating paperwork. By streamlining certain procedures and requirements, it will reduce the burden on applicants. The agreement creates the start of a uniform application process for small disadvantaged business certification, reinventing the way the government does business with SDBs.

**REGFAIR** The Oversight of Regulatory Reform provision of the Act created the National Ombudsman and 10 Regional Fairness Boards to provide small businesses with the opportunity to comment on enforcement activity by federal regulatory agencies. Through this provision, Congress and the President have provided a way that small businesses can meaningfully participate in the regulatory process by establishing a forum in which to express their views and share their experiences about federal regulatory activity.

**REGULATORY FAIRNESS** The Oversight of Regulatory Reform provision of the Act created the National Ombudsman and 10 Regional Fairness Boards to provide small businesses with the opportunity to comment on enforcement activity by federal regulatory agencies. Through this provision, Congress and the President have provided a way that small businesses can meaningfully participate in the regulatory process by establishing a forum in which to express their views and share their experiences about federal regulatory activity.

**REGULATORY FLEXIBILITY ACT (RFA)** The Regulatory Flexibility Act (5 U.S.C. 601-612) requires federal agencies to consider the effects of their regulatory actions on small businesses and other small entities and to minimize any undue disproportionate burden. The chief counsel for advocacy of the U.S. Small Business Administration is charged with monitoring federal agencies' compliance with the act and with submitting an annual report to Congress.

**REQUEST FOR PROPOSAL (RFP)** A solicitation issued by the government to prospective offerors. An RFP describes what the government requires and how the offerors will be evaluated. Negotiations may be conducted with offers. Award is based on a combination of lowest price and technical merit.

**REQUEST FOR PROPOSALS** Solicitations for offerings for competitive negotiated procurements when it is impossible to draft an invitation for bids containing adequate detailed description of the required property and services. There are 15 circumstances in the Federal Acquisition Regulations (FAR) which permit negotiated procurements.

**REQUEST FOR QUOTATION (RFQ)** A request for market information by the government, used for planning purposes.

**RETURN ON INVESTMENT** The amount of profit (return) based on the amount of resources (funds) used to produce it. Also, the ability of a given investment to earn a return for its use.

**REVOLVING CREDIT ACCOUNT** A formal line of credit offered to larger businesses in exchange for up-front fees and standard interest payments.

**RFP Request for Proposal** A solicitation issued by the government to prospective offerors. An RFP describes what the government requires and how the offerors will be evaluated. Negotiations may be conducted with offers. Award is based on a combination of lowest price and technical merit.

**RFQ Request for Quotation** A request for market information by the government, used for planning purposes.

**SBA Small Business Administration** An independent agency of the federal government and not to be confused with Small Business Association or variations thereof. The U.S. Small Business Administration (SBA) was created by Congress in 1953 to help America's entrepreneurs form successful small enterprises. Today, SBA's program offices in every state offer financing, training and advocacy for small firms. These programs are delivered by SBA offices in every state, the District of Columbia, the Virgin Islands and Puerto Rico. In addition, the SBA works with thousands of lending, educational and training institutions nationwide.

**SBA EXPORT EXPRESS** SBA Export Express combines the SBA's small business lending assistance with its technical assistance programs to help small businesses that have traditionally had difficulty in obtaining adequate export financing. The pilot program is available throughout the country and is expected to run through September 30, 2005

**SBA LOAN** The SBA enables its lending partners to provide financing to small businesses when funding is otherwise unavailable on reasonable terms by guaranteeing major portions of loans made to small businesses.

**SBA LOWDOC** SBA LowDoc streamlines the making of small business loans. The maximum loan-\$150,000. Calls for a response from the SBA within 36 hours of receiving a complete application. Guaranty percent follows 7(a) policy.

**SBAExpress** The SBAExpress Makes it easier and faster for lenders to provide small business loans of \$150,000 or less; allows lenders to use their own forms and processes to approve loans guaranteed by the U.S. Small Business Administration; provides a rapid response from the SBA within 36 hours of receiving your complete application; lets lenders take advantage of electronic loan processing; and helps lenders provide smaller revolving loans.

**SBDC** Small Business Development Centers See Small Business Development Center.

**SBIC** Small Business Investment Company Licensed by the Small Business Administration, SBICs are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses, both new and already established. Selecting More... will take you to the SBIC (Office of Investment) home page.

**SBIC Locations** Selecting More... will take you to SBIC locations by State.

**SBIR** Small Business Innovative Research See Small Business Innovation Research

**SBIR CONTRACT** Small Business Innovative Research Contract A type of contract designed to foster technological innovation by small businesses with 500 or fewer employees. The SBIR contract program provides for a three-phased approach to research and development projects: technological feasibility and concept development; the primary research effort; and the conversion of the technology to a commercial application.

**SCORE** SCORE is a 10,500-member volunteer association sponsored by the SBA. SCORE matches volunteer business-management counselors with present prospective small business owners in need of expert advice. The SCORE home page is located at <http://www.score.org> Select "More..." below to find a listing by State.

**SCORE Locations** See SCORE. Selecting More... will take you to SCORE locations listed by State.

**SDB** Small Disadvantaged Business See Small Disadvantaged Business.

**SDB Program** While the 8(a) Business Development Program (above) offers a broad scope of assistance to socially and economically disadvantaged firms, SDB certification strictly pertains to benefits in federal procurement. 8(a) firms automatically qualify for SDB certification. SBA certifies SDBs to make them eligible for special bidding benefits. Evaluation credits available to prime contractors boost subcontracting opportunities for SDBs.

**SECONDARY MARKET** Entities who purchase an interest in a loan from an original lender, such as banks, institutional investors, insurance companies, credit unions and pension funds. There is an active secondary market in the loans guaranteed by the Small Business Administration. This market was created to increase the attractiveness of small business lending to the lending community. Through the market, lenders are able to sell the guaranteed portion of SBA guaranteed loans to investors and thereby improve their liquidity and increase their yield on the unguaranteed portion of SBA loans. In addition, the secondary market provides a hedge against future liquidity problems because the guaranteed portion of an SBA guaranteed portfolio may be readily sold by the lender. The market also allows a lender to meet the credit needs of a local small business community by importing capital from other parts of the country.

**SELLING A BUSINESS** Selling a business is different than selling any other asset because a business is more than an income-earning asset -it is a life-style as well. Therefore, the decision to sell can be emotional. Personal ambitions should be weighed against economic consequences in reaching a decision.

**SERVICE MARK** A word, name, symbol or device used to identify and distinguish a business that provides services rather than goods. Like a trademark, it can be registered.

**SET-ASIDE CONTRACT** A "set-aside" is a Federal contract designated for small business bidding only.

**SHAREWARE** Free or evaluation copies/links for use in your business.

**SHORT TERM** Period usually one year or less.

**SIGNAGE** Effective signage is a critical component of your retail business' success, and can contribute to the success of all businesses. To provide in depth information about signage and your business, we have divided signage information into categories in our Signage web area. After you've studied these pages, we recommend you include proper signage in the financial plans for your business. Effective signage is a key asset you'll need to become successful. Why should I have a sign? is a question often asked by business owners. The answer will vary depending on your business type and format. In a highly impulse oriented business, good signage can be the difference between the success or failure of the business. The profile of your trade area also impacts your signage needs. Good signage can increase a business's opportunity for success.

**SIMPLE INTEREST RATE LOAN** One which provides the borrower the face value of the loan; the borrower repays the principal plus interest at maturity.

**SIZE STANDARDS** The term "size standard" describes the numerical definition of a small business. In other words, a business is considered "small" if it meets or is below an established "size standard."

**SMALL BUSINESS** A business smaller than a given size as measured by its employment, business receipts, or business assets.

**SMALL BUSINESS ACT** Also see <http://www.sba.gov/library/lawroom.html>



**SMALL BUSINESS DEVELOPMENT CENTER (SBDC)** The SBDC is a center for the delivery of joint government, academic and private sector services for the benefit of small business and the national welfare. It is committed to the development and productivity of business and the economy in specific geographical regions. (See locations at <http://www.sba.gov/gopher/Local-Information/Small-Business-Development-Centers/>).

**SMALL BUSINESS INNOVATION RESEARCH (SBIR) CONTRACT** A type of contract designed to foster technological innovation by small businesses with 500 or fewer employees. The SBIR contract program provides for a three-phased approach to research and development projects: technological feasibility and concept development; the primary research effort; and the conversion of the technology to a commercial application.

**SMALL BUSINESS INVESTMENT ACT** It is declared to be the policy of the Congress and the purpose of this Act to improve and stimulate the national economy in general and the small-business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply: Provided, however, That this policy shall be carried out in such manner as to insure the maximum participation of private financing sources.

**SMALL BUSINESS INVESTMENT COMPANY (SBIC)** SBICs, licensed by the Small Business Administration, are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses, both new and already established.

**SMALL BUSINESS TECHNOLOGY TRANSFER PROGRAM (STTR)** STTR is an important new small business program that expands funding opportunities in the federal innovation research and development arena. 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. STTR's most important role is to foster the innovation necessary to meet the nation's scientific and technological challenges in the 21st century.

**SMALL DISADVANTAGED BUSINESS (SDB)** SBA certifies SDBs to make them eligible for special bidding benefits. SDBs are at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. This can include a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and whose management and daily business is controlled by one or more such individuals.

**SMALL DISADVANTAGED BUSINESS CONCERN** A small business concern that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. This can include a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged

individuals and whose management and daily business is controlled by one or more such individuals.

**SOLVENCY** The financial ability to continue business.

**SOPs** Standard Operating Procedures.

**SPECULATIVE CASH BALANCES** Cash necessary to take advantage of special opportunities.

**STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE** A code representing a category within the Standard Industrial Classification System administered by the Statistical Policy Division of the U.S. Office of Management and Budget. The system was established to classify all industries in the US economy. A two-digit code designates each major industry group, which is coupled with a second two-digit code representing subcategories.

**STARTUP, or START UP or STARTUP KIT** SBA maintains a generic startup kit and in many cases, startup kits for beginning a business in given states.

**STTR** Small Technology Transfer Program See Small Business Technology Transfer Program.

**SUBCONTRACT** A contract between a prime contractor and a subcontractor to furnish supplies or services for the performance of a prime contract or subcontract.

**SUBCONTRACTING OPPORTUNITIES** Select More... below.

**SURETY BOND** A three-way agreement between a surety company, a contractor and the project owner. If the contractor fails to comply with the contract, the surety assumes responsibility and ensures that the project is completed. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$25,000 or more. Many state, county, city and private-sector projects require bonding as well. The SBA can guarantee bid, performance and payment bonds for contracts up to \$1.25 million for small businesses that cannot obtain bonds through regular commercial channels. Bonds may be obtained in two ways: prior approval-contractors apply through a surety bonding agent. The guaranty goes to the surety; and preferred Sureties--preferred sureties are authorized by the SBA to issue, monitor and service bonds without prior SBA approval.

**TAX or TAXES** The contribution required of persons, groups, or businesses within a governmental jurisdiction for the support of governmental programs. Springtime brings a flood of questions about State taxes. We have compiled a list of State sites and their specific tax rules and guidelines. Choosing "More..." will take you to this site.

**T-BILLS** Treasury Bills Short term obligations of the U.S. government.

**TECH-NET** Tech-Net is an electronic gateway of technology information and resources for and about small high tech businesses. It is a search engine for researchers, scientists, Business Start-Up, Where To Begin & How To Grow

state, federal and local government officials, a marketing tool for small firms and a potential "link" to investment opportunities for investors and other sources of capital.

**TRADE NAME** The term used to identify a company. Any type of business may call itself a company.

**TRADEMARK** Words, names, symbols or devices, or any combination of these, used to identify the goods of a business and to distinguish these goods from the goods of others.

**TRANSACTION BALANCES** Cash held to cover day-to-day transactions.

**TREASURY BILLS T-Bills** Short term obligations of the U.S. government.

**TRUE LEASE** A type of transaction that qualifies as a lease under the Internal Revenue Code. It allows the lessor to claim ownership and the lessee to claim rental payments as tax deductions.

**TURNOVER** Turnover is the number of times that an average inventory of goods is sold during a fiscal year or some designated period. Care must be taken to ensure that the average inventory and net sales are both reduced to the same denominator; that is, divide inventory at cost into sales at cost or divide inventory at selling price into sales at selling price. The turnover when accurately computed, is one measure of the efficiency of a business.

**U.S. EXPORT ASSISTANCE CENTERS (USEACS)** USEACs offer a full range of federal export programs and services from a number of federal agencies under one roof. Find your closest USEAC at SBA's International Trade website.

**UNDELIVERED ORDERS** The amount of orders for goods and services outstanding for which, the liability has not yet accrued. For practical purposes represents obligations incurred for which goods have not been delivered or services not performed.

**UNFAIR LABOR PRACTICE** Action by either the employer or the union which violates the provisions of Executive Order 11491 as amended.

**UNIFORM COMMERCIAL CODE** Codification of uniform laws concerning commercial transactions. In SBA parlance generally refers to a uniform method of recording and enforcing a security interest or charge upon existing or to be acquired personal property.

**USURY** Interest which exceeds the legal rate charged to a borrower for the use of money.

**VARIABLE COSTS** Those costs of doing business such as cost of goods, shipping, handling and storage, sales commissions, etc., which are directly related to the sales of goods or services.

**VENDOR IDENTIFICATION PROGRAM (VIP)** The Vendor Identification Program (VIP) assists small businesses by identifying government purchasers for the items they produce for large defense contractors. The program helps SBA to increase competition by adding qualified sources to bidder lists and creating prime contracting opportunities for small

businesses. Through the Vendor Identification Program, SBA matches the past procurement history and acquisition needs of the government and identifies the actual manufacturer of systems, subsystems, components, and spare parts. This expedites the procurement process and facilitates the participation of small businesses as prime contractors.

**VENTURE CAPITAL** Money used to support new or unusual commercial undertakings; equity, risk or speculative capital. This funding is provided to new or existing firms that exhibit above-average growth rates, a significant potential for market expansion and the need for additional financing for business maintenance or expansion.

**VSB Very Small Business Program** The Very Small Business (VSB) program is an extension of the small business set-aside program, administered by SBA as a pilot to increase opportunities for VSB concerns. Procurement requirements, including construction requirements, estimated to be between \$2,500 and \$50,000 must be reserved for eligible VSB concerns in designated pilot SBA districts.

**WBC Women's Business Centers or Women's Business Center** Each women's business center provides assistance and/or training in finance, management, marketing, procurement and the Internet, as well addressing specialized topics such as home-based businesses, corporate executive downsizing and welfare-to-work. All provide individual business counseling and access to the SBA's programs and services; a number are also intermediaries for the SBA's MicroLoan and Loan Prequalification programs

**WBOR Women's Business Ownership Representatives** Representatives in SBA offices to assist women business owners.

**WEB STANDARDS AND GUIDELINES** SBA has extensive standards and guidelines for publishing on the SBA internet sites. [Choosing More...](#) will take you to this policy.

**WORKERS' COMPENSATION** A state-mandated form of insurance covering workers injured in job-related accidents. In some states the state is the insurer; in other states insurance must be acquired from commercial insurance firms. Insurance rates are based on a number of factors including salaries, firm history and risk of occupation.

**WORKING CAPITAL** Cash and short-term assets that can be used for current needs - bills, etc.

## Remember To Say Thank You To Those Who Helped

Along your entrepreneurial journey, take the time to thank those who help you. If you will treat others the way you would like to be treated, you will find that people will go out of their way to help you. I sincerely hope that the material in this workbook helps you.

In 1995 I founded BusinessFinance.com to help business owners just like you. Our mission statement is "To Help Businesses Grow and Succeed". Today I am still the CEO and it is my strongest desire to give business owners like you every opportunity to make their dreams come true. Along the way I have had lots of help.

### Thank you to my:

Father and Mother, who have invested in me my whole life and who have always shown me love whether I failed or succeeded. Thank you, Del and Marian.

Sister and Brother-in-law, who have always been there for me when I needed a shoulder to lean on or someone to just listen. Thank you, Candy and Greg.

Children, who are the joy and blessing of my life and who give me the wonderful gift of unconditional love to begin every day. Thank you, Lauren, Lindsey, and Ryan.

Business partners, who believed in me and in my wild dreams and who have come along side to lighten my load. Thank you, Brent, Jason, and Walt.

Lord and Savior, who by his will I can do all things. He reminds that life is short and not all about riches in this world, for my eternal life is in the next. Thank you, Jesus Christ.

The material presented in this workbook has been rewritten from the incredible wealth of free information available from the SBA. Read more at <http://www.sba.gov/library/pubs.html>

Remember to keep your priorities straight and that money cannot buy happiness...but that is a whole other book.

I wish you all the success in your search for business success.

Corey Pierce, Founder and CEO  
4eStrategy, LLC dba Businessfinance.com

Food for thought:

***"For what does it profit a man if he gains the whole world,  
yet loses his eternal soul." Mark 8:36***