

A Guide for Business Start-Up and Growth



Minnesota Small Business RESOURCE GUIDE



CELEBRATING MINNESOTA'S SMALL BUSINESSES



Small business is essential to Minnesota. Our nearly 465,000 small businesses contribute valuable products and services for our personal and professional use as well as contributing to the economic well being of Minnesota and our nation.

The Minnesota District Office of the U.S. Small Business Administration and the Minnesota SCORE Association are pleased to provide this resource guide to assist you in starting or expanding your business. We extend special thanks to our Minnesota contributors who made publication of this guide possible.

This Small Business Resource Guide provides you with an overview of SBA programs:

The Business Resources section of the publication identifies sources of business counseling and targeted business training, including sources of specialized technical assistance such as international trade and government contracting.

SBA Financing Programs describes the many financial assistance programs available to Minnesota small businesses --- from microloans totaling a couple hundred dollars to loans for financing the construction of a building, or working capital to export goods and services abroad.

The Business Start-up Kit provides a basic guide to help new entrepreneurs through the process of planning your business. Although you can never eliminate risk in starting a new venture, you can avoid many difficulties when you understand some of the fundamentals of operating a small business before you actually begin. Through a list of questions, the Start-up section helps you gauge your readiness for entrepreneurship. A checklist for going into business in Minnesota identifies basic responsibilities and considerations for a new enterprise and the Frequently Asked Questions page helps identify your business needs. Finally, this section provides specific guidelines for preparing a business plan. We suggest that you prepare a business plan to serve as a roadmap for the development of your business. For entrepreneurs seeking financing for their company, a business plan is an essential tool.

We hope you'll find this booklet useful, and wish you much luck and entrepreneurial success.

Ed Daum
District Director

This Resource Guide is brought to you by the U.S. Small Business Administration and the SCORE Association. Funding for the publication was generously provided by the following organizations:

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Drake Bank

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Thomas E. Kelleher, VP SBA Lending
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Anchor Bank

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Landmark Community Bank, N.A.

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www.landmark-bank.net



CIT Small Business Lending

7701 France Ave. So., Suite 200
Minneapolis, MN 55435
Joe Kammermeier
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www.Smallbizlending.com



Minnesota Business Finance Corporation

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Twin Cities-Metro Certified Development Company

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Shoreview, MN 55126
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www.504lending.com



Peoples Bank of Commerce

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St. Paul, MN 55101
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Voyager Bank

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SCORE

Counselors to America's Small Business
100 North Sixth Street, Suite 210-C
Minneapolis, MN 55403
(612) 370-2309
info@scoremn.org
www.scoremn.org



Wells Fargo SBA Lending

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SPEDCO

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www.western-bank.com



TCF Bank

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Business Resources

COUNSELING | TRAINING | INFORMATION CENTERS

Face-to-face business counseling is available at no charge through SBA resource partners at locations throughout Minnesota. Business information is available on-line 24 hours per day, 7 days per week at SBA's national website: www.sba.gov; SBA's Minnesota website: www.sba.gov/mn or SCORE's Minnesota website at www.scoremn.org.

Small Business Planning Center

2324 University Avenue West
Midtown Commons Building, Suite 112
St. Paul, MN 55114-1843
(651) 209-1884

The Business Planning Center (BPC) in St. Paul offers a variety of programs to small business owners and aspiring entrepreneurs. In addition to their core program of assisting individuals developing their own business plan, the BPC programs include on-site counseling, volunteer bankers, lawyers and loan information seminars.

Programs include:

- The BPC core program offers the latest business plan software, marketing plan software, on-site computers to create your own plans and an extensive library of books and publications to help entrepreneurs. Sample business plans are available to study.
- On-site counseling is available from members of the SCORE Association, Counselors to America's Small Business. Counselors are at the center every day and will meet with individuals on a one-on-one basis.
- A free Small Business Loan Seminar explaining SBA's loan programs is offered each Thursday from 12:30-2 p.m. Attendees will receive sample loan applications, a business start-up kit, and information on how to apply for a loan.
- **Each Thursday** from 2-6 p.m., a small business lender is available to answer questions and counsel entrepreneurs and aspiring entrepreneurs. Different Twin Cities area banks rotate their time to have a loan officer available each week to review business plans and discuss the loan application process.
- On **Tuesdays** from 4-7 p.m., the BPC has partnered with LegalCORPS to provide legal advice and answer legal questions for entrepreneurs and aspiring entrepreneurs.
- A Spanish-speaking collaborator is available on **Tuesdays and Wednesdays** from 9-4 p.m. to help with general information.

No appointment is necessary and there is no charge. For more information about any of the BCP programs or services, call **(651) 209-1884**.

The BPC is open 9 a.m.-4 p.m. on Monday, Wednesday and Friday. The hours are 9 a.m.-7 p.m. on Tuesday and Thursday.

All services of the BPC are free and confidential. The BPC is operated by SBA resource partners in the Twin Cities area.

Business Resources

The SCORE Association - Counselors to America's Small Business

The SCORE Association is the premiere volunteer business counseling and advice service found in the United States. For over 40 years The SCORE Association has been helping new generations of small business owners grow their businesses and new entrepreneurs start their ventures.

As a resource partner with the SBA, The SCORE Association provides information vital to small business success. This includes counseling on financing options, business planning, marketing strategies, product development and more. Individual members and counseling teams with diverse business knowledge and experience provide one-on-one, confidential counseling at no cost to the business owner.

The SCORE Association presents free Loan Information Seminars in Minneapolis and St. Paul:

- **Every Thursday** (excluding government holidays and weather emergency days) from 12:30 p.m.-2 p.m. at the Business Planning Center, 2324 University Ave., Midtown Commons, Suite 112, St. Paul. There is no registration fee and there is no need to pre-register.
- On the **first Wednesday of every month** from 10 a.m.-11:15 a.m. at SBA, 210-C Butler Square, 100 North Sixth Street, Minneapolis. There is no registration fee and there is no need to pre-register.

The SCORE Association also presents workshops and business seminars at various locations throughout the state for a modest fee. Topics include:

- **Preparing a Business Plan**
- **Sales and Marketing**
- **Financing Your Business**
- **Understanding SBA Lending**
- **Accounting and Tax Implications**
- **Choosing the Right Business Organization**

View future workshops and seminars via SCORE's website at www.scoremn.org or SBA's at www.sba.gov/mn select training calendars.

There are seven SCORE Chapters located throughout Minnesota. Starting or expanding a small business can be overwhelming. SCORE can help your business succeed. SCORE counselors can help take some of the mystery out of getting started and taking control of your career in business. To request counseling or for a schedule of workshops and seminars, contact the SCORE Chapter convenient to you or mail in the Request for Counseling form on the following page.

SCORE® *Counselors to America's Small Business*

"SCORE worked with us through every aspect of starting our business. Anyone starting a business should consult with SCORE first."

Janet McMillan

Owner – **The Corner Coffee House** in Little Canada, MN
is SBA's 2005 Minnesota Emerging Entrepreneurs of the Year.

Minneapolis (952) 938-4570
www.score-minneapolis.org

New Ulm (507) 233-4300
www.score-newulm.org

Red Wing (651) 388-4719 X 20
www.score-redwing.org

Rochester (507) 288-8103
www.scoreminn-rochester.org

South Metro (952) 890-7020
www.score-southmetro.org

St. Cloud (320) 240-1332
www.stcloudscore.org

St. Paul (651) 632-8937
www.score-stpaul.org

Minnesota SCORE District Office

100 North Sixth Street,
Suite 210-C
Minneapolis, MN 55403
(612) 370-2309

E-mail: info@scoremn.org
www.scoremn.org



U.S. Small Business Administration Counseling Information Form

OMB Approval No.: 3245-0324
Expiration Date: 09/30/2006

Client Number:
Location Code:
Initials of Data Inputter:

1. Name of the Office Providing the Service _____ 1a. Type of Client: Face to Face Online Telephone
 2. City/State of Office Location _____

PART I: Client Request for Counseling

3. Client Name (Name of the person completing the form/representative of the business) (Last, First, MI)	4. Email
5. Telephone Primary _____ Secondary _____	6. Fax
7. Street Address/PO Box (give business address if currently in business) 8. City	9. State 10. Zip +4
<p>11. I request business counseling service from the Small Business Administration (SBA) or an SBA Resource Partner. I agree to cooperate should I be selected to participate in surveys designed to evaluate SBA services. I permit SBA or its agent the use of my name and address for SBA surveys and information mailings regarding SBA products and services (Yes <input type="checkbox"/> No <input type="checkbox"/>). I understand that any information disclosed will be held in strict confidence. (SBA will not provide your personal information to commercial entities.) I authorize SBA to furnish relevant information to the assigned management counselor(s). I further understand that the counselor(s) agrees not to: 1) recommend goods or services from sources in which he/she has an interest, and 2) accept fees or commissions developing from this counseling relationship. In consideration of the counselor(s) furnishing management or technical assistance, I waive all claims against SBA personnel, and that of its Resource Partners and host organizations, arising from this assistance. Please note: The estimated burden for completing this form is 3 minutes. You are not required to respond to any collection information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to: U.S. Small Business Administration, 409 3rd Street, SW, Washington, DC 20416, and to: Desk Officer SBA, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C., 20503. OMB Approval (3245-0324). PLEASE DO NOT SEND FORMS TO OMB.</p>	
12. Preferred date & time for appointment Date: _____ Time: _____	13. Client Signature _____ Date: _____

PART II: Client Intake (to be completed by all Clients)

14. Race (mark one or more) <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native American or Alaska Native <input type="checkbox"/> Native Hawaiian or other Pacific Islander <input type="checkbox"/> White	15. Ethnicity <input type="checkbox"/> Hispanic Origin <input type="checkbox"/> Not of Hispanic Origin	16. Gender <input type="checkbox"/> Male <input type="checkbox"/> Female	17. Do you consider yourself a person with a disability? <input type="checkbox"/> Yes <input type="checkbox"/> No
18. Veteran Status <input type="checkbox"/> Non-Veteran <input type="checkbox"/> Veteran <input type="checkbox"/> Service-Disabled Veteran	18a. Military Status <input type="checkbox"/> Member of Reserve or National Guard <input type="checkbox"/> On Active Duty		
19. What inspired you to contact us? (mark all that apply) <input type="checkbox"/> SBA <input type="checkbox"/> Other Client <input type="checkbox"/> Chamber of Commerce <input type="checkbox"/> Other (specify) _____ <input type="checkbox"/> Bank <input type="checkbox"/> Magazine <input type="checkbox"/> Educational Institution <input type="checkbox"/> Business Owner <input type="checkbox"/> Internet <input type="checkbox"/> Local Economic Development Official <input type="checkbox"/> Television/Radio <input type="checkbox"/> Newspaper <input type="checkbox"/> Word of Mouth			
20. Is the client currently in business? <input type="checkbox"/> Yes <input type="checkbox"/> No (if no, skip to 30)	21. Name of Company		
22. Type of Business (choose primary category) <input type="checkbox"/> Mining <input type="checkbox"/> Manufacturing <input type="checkbox"/> Real Estate & Rental & Leasing <input type="checkbox"/> Professional, Scientific & Technical Services <input type="checkbox"/> Utilities <input type="checkbox"/> Finance & Insurance <input type="checkbox"/> Health Care & Social Assistance <input type="checkbox"/> Management of Companies & Enterprises <input type="checkbox"/> Information <input type="checkbox"/> Wholesale Trade <input type="checkbox"/> Accommodation & Food Services <input type="checkbox"/> Agriculture, Forestry, Fishing & Hunting <input type="checkbox"/> Construction <input type="checkbox"/> Public Administration <input type="checkbox"/> Arts, Entertainment & Recreation <input type="checkbox"/> Administrative & Support <input type="checkbox"/> Retail Trade <input type="checkbox"/> Educational Services <input type="checkbox"/> Transportation & Warehousing <input type="checkbox"/> Waste Management & Remediation Services <input type="checkbox"/> Other Services (except Public Administration)			
23. Business Ownership – What percentage of your business is male or female ownership? _____ % Male _____ % Female	24. Month & Year Business Started?	25. Do you conduct business online? <input type="checkbox"/> Yes <input type="checkbox"/> No	26. Is this a home based business? <input type="checkbox"/> Yes <input type="checkbox"/> No
27. Total No. of Employees (full & part time)	28. For your most recent full business year, what were your: Gross Revenues/Sales \$ _____ +Profits/-Losses \$ _____	29. What is the legal entity of your business? <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> S-Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other (specify) _____	
30. What is the nature of counseling you are seeking? (Choose primary category) <input type="checkbox"/> Start-up Assistance (How do I start a small business?) <input type="checkbox"/> Human Resources/Managing Employees <input type="checkbox"/> Marketing/Sales (promotion, market research, pricing, etc.) <input type="checkbox"/> Technology/Computers <input type="checkbox"/> Business Plan <input type="checkbox"/> Customer Relations <input type="checkbox"/> Government Contracting (including certifications) <input type="checkbox"/> eCommerce (using the Internet to do business) <input type="checkbox"/> Financing/Capital (such as applying for a loan, building equity capital) <input type="checkbox"/> Business Accounting/Budget <input type="checkbox"/> Franchising <input type="checkbox"/> Legal Issues (such as, Should I incorporate?) <input type="checkbox"/> Managing a Business <input type="checkbox"/> Cash Flow Management <input type="checkbox"/> Buy/Sell Business <input type="checkbox"/> International Trade <input type="checkbox"/> Tax Planning			
Describe specific assistance requested in the space provided. _____ _____ _____			

Fold Here

Place
Stamp
Here

SCORE/SBA

210-C Butler Square

100 North 6th Street

Minneapolis, MN 55403-1525

Fold Here

Business Resources

Small Business Development Centers

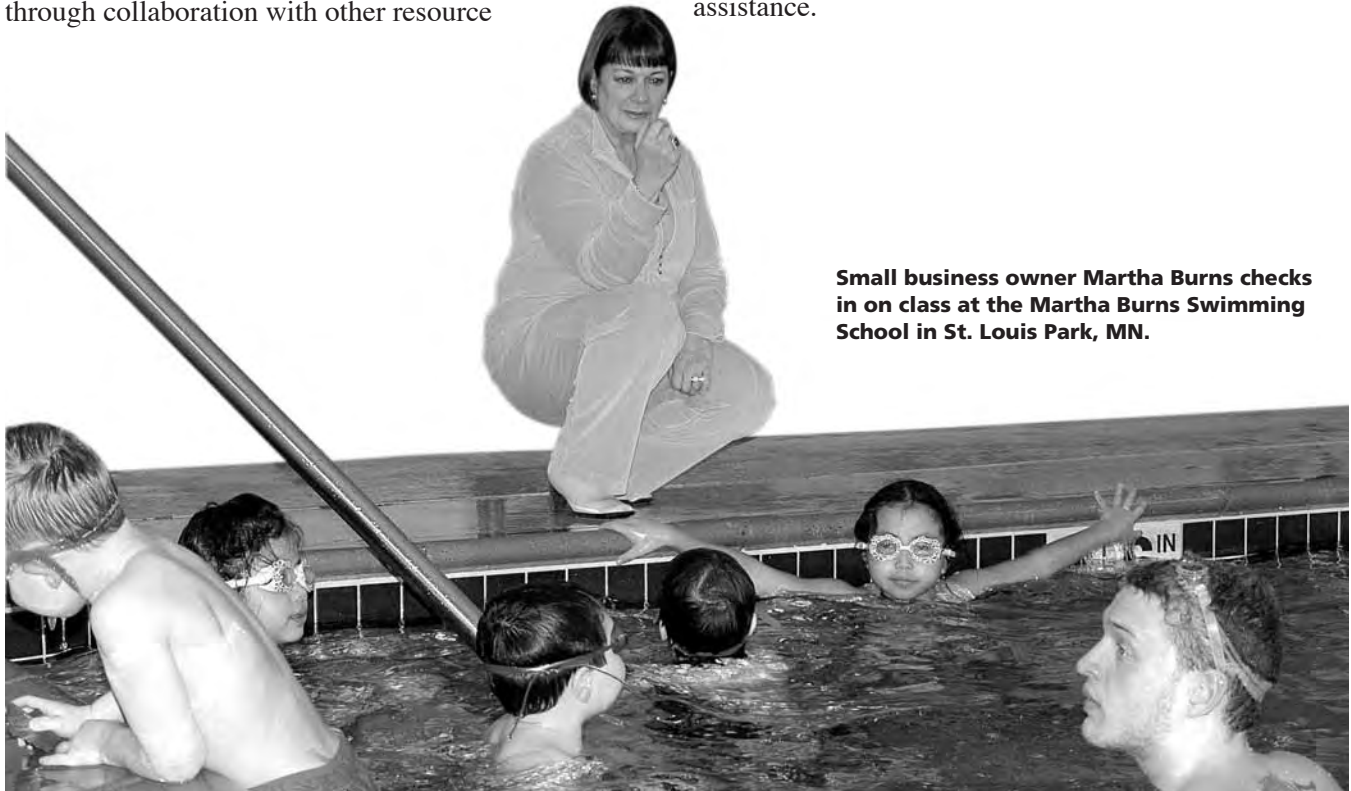
The Minnesota Small Business Development Centers (MNSBDC) offer confidential one-on-one business counseling and group training to those that are interested in expanding or starting a small business in Minnesota. Funding partners financial support allows the MNSBDC to offer counseling services at no cost to the business client. Training programs and special projects are provided either at no cost or for a nominal fee. Most MNSBDCs are located within an hour drive of a business client's residence. The MNSBDCs operate through a network of nine statewide regional centers, 32 satellite centers and outreach locations. The MNSBDC network is made up of committed professionals, each with distinctive credentials that qualify them to assist with both general and special business needs. Drawing on both formal education and years of practical business experience, each counselor understands well what it is like to operate a business.

The MNSBDC counseling service primarily focuses on assisting existing and growing businesses in the area of business planning, marketing, E-commerce technology, financial analysis and loan packaging. Directly and through collaboration with other resource

organizations, the MNSBDC program also offers assistance and referrals in areas such as regulatory compliance assistance, information technology, exporting, government procurement, and federal research and development opportunities.

The MNSBDCs also offer assistance to those who are considering starting a business by providing information and resources on pre-business planning and by working with resource partners to help the entrepreneur with exploring possibilities in determining whether to pursue the business venture. While the MNSBDCs do not administer loan or grant programs, their network of counselors do help small business to assess funding options, identify financing sources, evaluate eligibility, and help prepare documentation that lenders require.

Visit www.mnsbdc.com to view a listing of workshops offered or to submit an online request for counseling services. To set up a consultation appointment with a MNSBDC consultant, call the regional office nearest to you or call the state administration office if you need assistance.



Small business owner Martha Burns checks in on class at the Martha Burns Swimming School in St. Louis Park, MN.

SMALL BUSINESS DEVELOPMENT CENTER NETWORK www.mnsbdc.com

STATE ADMINISTRATIVE OFFICE:

Minnesota Small Business Development Centers
Minnesota Department of Employment
& Economic Development
St. Paul, MN

(651) 297-5770

(877) 653 8333

NORTHEAST MINNESOTA:

Duluth Regional Office:
University of Minnesota Duluth – MNSBDC
Duluth, MN

(218) 726-7298

NORTH CENTRAL MINNESOTA:

Brainerd Regional Office:
Central Lakes College – MNSBDC
Brainerd, MN

(218) 855-8142

NORTHWEST MINNESOTA:

Bemidji Regional Office:
Bemidji State University – MNSBDC
Bemidji, MN

(218) 755-4255

WEST CENTRAL MINNESOTA:

Moorhead Regional Office:
Minnesota State University Moorhead – MNSBDC
Moorhead, MN

(218) 477-2289

CENTRAL MINNESOTA:

St. Cloud Regional Office:
St. Cloud State University - MNSBDC
St. Cloud, MN

(320) 308-4842

TWIN CITIES METRO AREA:

Twin Cities Regional Office:
University of St. Thomas - MNSBDC
Minneapolis, MN

(651) 962-4500

SOUTHWEST MINNESOTA:

Marshall Regional Office:
Southwest State University - MNSBDC
Marshall, MN

(507) 537-7386

SOUTH CENTRAL MINNESOTA:

Region Nine Development Commission -
MNSBDC
Mankato, MN

(507) 389-8893

SOUTHEAST MINNESOTA:

Rochester Regional Office:
Rochester Community & Technical College -
MNSBDC

Rochester, MN

(507) 285-7536

Business Resources



BGD Companies owners Angie (far left) and Dennis Diaz (far right) check plans with staff members Deidre Johnson and Cely Diaz.

Financing Your Business Start-Up

More than 80 percent of new entrepreneurs start their business without any commercial loans. Lenders and investors often prefer to finance a business with a track record and a plan for growth based on experience in the industry.

If you are just starting out and need a smaller amount to set up shop and fill your first orders, here are some other options to consider:

- **Savings**
- **Personal bank credit**
- **Friends and family members**
- **Informal investors**
- **Home equity loans**
- **Credit unions**
- **City or county economic or community development loan programs**

Veterans Assistance

SBA encourages veterans currently operating a small business or interested in starting one to use the services and programs of the Agency as they proceed on their road to entrepreneurial success. SBA works with veteran service organizations, county veterans service offices, government agencies, and other organizations to inform veterans of SBA financial assistance programs, government procurement opportunities and management and technical resources. Veterans need only go online (www.sba.gov/mn) or pick up the phone and contact any of the resources outlined in this manual to get started. All SBA resource partners are keenly aware of the service and sacrifices made by America's veterans and are eager to extend a warm welcome and ready access to all services offered.

Women's Business Ownership

All of SBA's programs and services are available to women business owners. In addition to the traditional services, SBA has cooperative agreements with two Minnesota Women's Business Centers (WBCs). WBCs provide the latest in business information and

long-term training, best practices advice, computer and Internet training and access, individual and group business counseling, access to the SBA's programs and services, and much more.



Lynn Gordon of French Meadow Bakery checks in with a bakery employee at Organic Concepts in Eagan, MN.

Minnesota Women's Business Centers

Northeast Entrepreneur Fund

8355 Unity Drive, Suite 100

Virginia, MN 55749

(218) 749-4191

www.entrepreneurfund.org

Northeast Entrepreneur Fund's Women's Business Network serves an 11-county region of northeast Minnesota and northwest Wisconsin. Their service area includes Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Koochiching, Lake, Pine, and St. Louis counties in Minnesota and Douglas County, Wisconsin. Offices are located in Duluth, Grand Rapids, and Virginia, Minnesota and Superior, Wisconsin. Workshops and training courses are offered at other locations throughout the region as well.

Women Venture

2324 University Ave. W.

St. Paul, MN 55114

(651) 646-3808

Toll Free: 1-866-646-3808

www.womenventure.org

In addition to the Minneapolis and St. Paul metropolitan area, WomenVenture serves the following counties: Anoka, Carver, Chisago, Dakota, Goodhue, Hennepin, Isanti, Ramsey, Scott, Stearns, Steele, Washington, Wright.

The WomenVenture Business Center provides technical assistance to women entrepreneurs through one-on-one consulting, business-planning seminars and workshops. The Center is an intermediary for the SBA Loan Prequalification and Microloan programs, providing microloans from \$200 to \$35,000.

Online Women's Business Center

SBA maintains an Online Women's Business Center at **www.onlinewbc.gov**.

This website provides valuable information both for women starting their businesses as well as for established businesses. In addition to SBA programs, this site provides answers to frequently asked questions, links to organizations that provide statistical research on women-owned businesses and national organizations whose mission is to assist women-owned businesses.

GOVERNMENT CONTRACTING ASSISTANCE

8(a) Business Development Program

The 8(a) Business Development Program is a nine-year program for businesses owned and controlled by individuals that are both socially and economically disadvantaged. In addition, businesses must also show a “potential for success” including proof of operations for at least two years. Benefits of the program include training in areas such as marketing and management, and access to negotiated contracts with federal agencies.

Socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Subcontinent Asian Americans. Individuals who are not members of these groups and can demonstrate that they are both socially and economically disadvantaged also may be eligible to participate in the 8(a) Program.

Additional information about the program and an online application can be found at www.sba.gov/8abd. The Minnesota District SBA Office conducts 8(a) orientation seminars on the first Tuesday of every month at 9 a.m. at the SBA office. For registration or businesses interested in learning more about the orientation seminars call (612) 370-2316.



Small Disadvantaged Business

The Small Disadvantaged Business (SDB) Program is a certification program for businesses owned and controlled by individuals that are both socially and economically disadvantaged. Federal agencies and their prime contractors have goals for utilizing certified SDBs.

Socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Subcontinent Asian Americans. Individuals who are not members of these groups and can demonstrate that they are both socially and economically disadvantaged also may be eligible to participate in the SDB Program.

Additional information about the program and an online application are available at www.sba.gov/sdb.

HubZone Empowerment Contracting Program

The HUBZone Program is a place-based program that is designed to encourage economic development in Historically Under-utilized Business Zones or HUBZones through preferences in Federal Government contracting. To be eligible, a small business must be located in a designated HUBZone and 35% of its employees must reside in HUBZones. Certification is required. The HUBZone Program is designed as a virtual program with all of the necessary information; including an on-line application available at www.sba.gov/hubzone.

Martha Burns Swimming School instructor Adam Bjerstedt works with student Hanna Hallendorf.



BGD Companies works to prepare a prototype seating unit for a customer. Left to right: Dennis Diaz, Anthony Triden, Manny Diaz, Guido Maggiolo, and Minh Viet Mai (with nail gun).

Central Contractor Registration (CCR)/Dynamic Small Business Search

The CCR/Dynamic Small Business Search is a free on-line database of small businesses interested in selling to government entities and to private-sector businesses. Potential buyers of products and services search the CCR/ Dynamic Small Business Search database for small businesses offering to supply them.

In addition to the marketing information contained in the Dynamic Small Business Search Database, the CCR record includes banking information needed for electronic funds transfer (EFT). Vender payments made by federal agencies are made on the basis (EFT) information contained in CCR. To register in CCR to: www.ccr.gov and complete a vender profile on-line. A valid DUNS number is mandatory for registration. A DUNS number can be obtained free of charge from Dun & Bradstreet at (888) 333-0505.

Using the information supplied by the small businesses, buyers can search the CCR/ Dynamic Small Business

Search Database by keyword such as business location or product category; by ownership type; by NAICS Code; or by a combination of these and other factors. The CCR/ Dynamic Small Business Search also serves as the official list of SBA certified 8(a), SDB, and HUBZone small businesses.

SBA Surety Bond Program

SBA can guarantee bonds for contracts up to \$2 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. A surety guarantee, an agreement between a surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract. For information regarding eligibility for the SBA Surety Bond Program and a list of Bonding Agents currently participating in the program, call the SBA Surety Bond Specialist at (215) 580-2727 or email www.sba.gov/org.

INTERNATIONAL TRADE ASSISTANCE

The U.S. Export Assistance Center

The U.S. Export Assistance Center (USEAC) offers a full range of federal export programs and services in one location. The Minneapolis USEAC is a partnership of the SBA, U.S. Department of Commerce (DOC) – Commercial Service and SCORE. Exporters get the help they need to compete and succeed in the global marketplace. USEAC professionals are there to help small business with market research, trade finance, customized counseling, consulting and advocacy, trade events and international partners. The Minneapolis USEAC is located in downtown Minneapolis with

representatives who travel throughout the state. For information or assistance with the SBA export financing programs (Export Working Capital Program (EWCP), SBA Export Express, and International Trade Program) explained in our SBA Financing Programs section, call **(612) 348-1642**. You may wish to visit the Minnesota District Office website www.sba.gov/mn, the SBA Office of International Trade site at: www.sba.gov/oit or the Minnesota District Export Council site at: www.exportassistance.com.

RESEARCH & DEVELOPMENT

Small Business Innovation Research Program (SBIR)

The Small Business Innovation Research (SBIR) Program is a highly competitive three-phased R & D funding system which provides qualified small businesses with opportunities to propose innovative ideas that meet the specific research and research/development needs of the Federal Government. Ten federal agencies participate in this program: Agriculture, Commerce, Defense, Education, Energy, Environmental Protection Agency, Health and Human Services, National Aeronautics and Space Administration, National Science Foundation, and Transportation. In Minnesota, more information can be found by contacting the Department of Employment and Economic Development at **(651) 282-6714**.

For more information, visit the SBA website at www.sba.gov/sbir.

Employees at French Meadow Bakery's Organic Concepts work to seal product.



SBA Financing Programs

The SBA offers a variety of financing options through a loan guaranty program by working with lending institutions. SBA guarantees loans made by banks or other private lenders to small business clients. By sharing the risk with the lender, the SBA guaranty reduces the probability of a loss to the lender and makes it easier for a small business client to borrow money. Eligible small businesses that are unable to borrow on reasonable terms through conventional lenders may be able to borrow from these lenders through an SBA guaranty program. **SBA does NOT provide direct loans or grants to start or grow a business.**

Prospective borrowers begin by visiting a local financial institution. The lender reviews the company's

business plan; including company financial records, or projections if the company is just beginning operations, and plans for the use of the borrowed funds. That lender has information about SBA's loan guaranty programs and the lender has all of the required SBA application forms. The prospective borrower does not need to contact SBA. If the lender determines that the business meets SBA and the lending institution's eligibility and credit requirements, that lender can suggest which of the SBA guaranty programs would best suit that loan.

Information in this Resource Guide is meant to provide the prospective borrower with an overview of the requirements and types of guaranty programs SBA offers to the lending institutions.

BASIC TERMS AND CONDITIONS OF SBA-GUARANTEED LOANS

• *Eligibility Criteria*

The business must be operated for profit and qualify as a small business under SBA size standards. The SBA has established two widely used size standards – 500 employees for most manufacturing and mining industries and \$6.0 million in average annual receipts for most non-manufacturing industries. However, many exceptions exist. For the applicable size standard, see the SBA's Small Business Size Standard website at: <http://www.sba.gov/size>.

The applicant must be of good character and demonstrate sufficient management expertise and commitment to provide reasonable assurance of a successful business operation.

Loan applications must include historical earnings and cash flow records, and probable future earnings that clearly demonstrate the ability to repay the loan.

Generally, the SBA requires that the borrower have a minimum capital injection for a new business start-up or business acquisition equal to one-third to one-half of the total project cost. For an existing business, acceptable tangible net worth is required demonstrating that the business can operate on a sound financial basis.

• *Loan Limits*

The maximum loan amount is \$2,000,000. The maximum amount that the SBA can guaranty is \$1,500,000. There is a fee between 2% and 3.5% on the guaranteed portion of the loan, depending on the loan amount. The average loan amount under the guaranty program is approximately \$225,000.

• *Use of Proceeds*

The loan proceeds may be used for a variety of business purposes including working capital, inventory, machinery and equipment, leasehold improvements, exporting your product or service and the acquisition or construction of commercial business property.

• *Loan Term*

The maturity of the loan is dependent on the use of the loan proceeds and may vary from five to seven years for working capital, ten years for fixed assets, or 25 years for real estate acquisition or construction.

• *Interest Rates*

Interest rates are negotiated between the lender and borrower. However, for SBA guaranteed loans, lenders generally may not charge more than prime rate plus 2.25% for loans under seven years, and prime plus 2.75% for loans of seven years or more. SBA permits the lender to charge an additional 1% for loans between \$25,000 and \$50,000; and an additional 2% for loans under \$25,000. The SBA Express Loan Program has different rate caps as are explained in that section.

• *Collateral*

The SBA requires that sufficient assets be pledged as collateral for the loan to ensure that the business owner has a substantial interest in the success of the business. Although the SBA will not generally turn down a loan applicant solely for lack of sufficient collateral, most lenders will require a reasonable amount of collateral to provide a secondary source of repayment. Personal guaranties will be required of anyone owning 20% or more of the business.

SBA Financing Programs

BASIC 7(A) LOAN GUARANTY PROGRAM

This program provides funds to existing or beginning businesses for almost any legitimate business purpose including the purchase of land, construction, machinery and equipment, inventory, and working capital. Participating lenders loan the funds and the SBA guarantees a portion of the loan. The interest rate is negotiated between the lender and small business owner, with an upper limit set by the SBA. The length of the loan depends upon the use of the funds (fixed assets, working capital, equipment, etc.).

For more information about SBA 7(a) loan guaranty programs, visit www.sba.gov/financing, attend one of the loan information seminars mentioned in the SCORE section, meet with one of the resources outlined in this guide or contact a potential lender. Although SBA works with most banks in Minnesota, a complete list of Preferred/Certified and Express Lenders is available on our website www.sba.gov/mn *select financing*.

SPECIAL 7(A) LOAN GUARANTY PROGRAMS

SBAEXPRESS PROGRAM

The SBAExpress Program makes it faster and easier for lenders to provide SBA-guaranteed small business loans of \$350,000 or less. The program gets its name from the streamlined loan review process and the predominant use of lender forms rather than using SBA forms for the application process. SBAExpress loans can be used as a revolving line of credit for up to seven years. Under the SBAExpress program, the maximum SBA guaranty is 50%.

CAPLINES LOAN PROGRAM

CAPLines is a lending program that helps small businesses meet their short-term and cyclical working capital needs. There are five short-term working capital loan categories under CAPLines. These are the Seasonal Line, Contract Line, Builders Line, Standard Asset-Based Line, and Small Asset-Based Line. The maximum amount of SBA's guaranty cannot exceed \$1,500,000 or 75% of the amount needed – whichever is less.



Owner Janet McMillan works a morning rush at the Corner Coffee House in St. Paul, MN.

SBA Financing Programs

EXPORT FINANCE PROGRAMS

The Export Working Capital Program (EWCP) was developed to provide the working capital needed to complete your export sales. The EWCP support export financing to small businesses when that financing is not otherwise available on reasonable terms. The loan funds may be used to finance the manufacturing costs of goods for export, the purchase of raw materials, goods or services, foreign accounts receivable and standby letters of credit (used for performance bonds, bid bonds or payment guaranties to foreign buyers). The program encourages lenders to offer export working capital loans by guaranteeing repayment of 90 percent of a loan amount for up to \$2.2 million. The EWCP uses streamlined documentation, with loan approval within 8 business days. An EWCP loan can support a single transaction or multiple sales on a revolving basis, or in an asset base situation. SBA's fee is ¼ or 1 percent for a 12-month loan. Call the regional manager for International Trade Programs for SBA at **(612) 348-1642** for more information.

The International Trade Loan Program (ITL) helps small businesses finance facilities and/or equipment and can provide working capital to assist them in exporting their products. To qualify for this program, the applicant must establish that the loan

will expand existing export markets or develop new export markets; or that the business is adversely affected by import competition. The use of proceeds is limited to working capital and purchase of facilities and/or equipment. SBA can guarantee a maximum of 85% of a loan up to \$2,000,000. Call SBA at the U.S. Export Assistance Center at **(612) 348-1642** for more information.

SBA ExportExpress helps small businesses that have exporting potential, but need funding to buy or produce goods, finance export development activities, and/or to provide services for export. Loan proceeds may be used for most business purposes, including expansion, equipment purchases, working capital, inventory, real estate acquisitions, trade show participation, marketing materials, overseas travel to interview distributors and to meet with potential buyers. Loan applicants must demonstrate that the loan proceeds will enable them to enter a new export market or expand an existing export market. The SBA guaranty is 85% for loans up to \$150,000 and 75% for loans more than \$150,000 up to a maximum loan amount of \$250,000. Lenders submit loan applications directly to SBA's processing center in Sacramento, California. Call SBA at the Minneapolis U.S. Export Assistance Center for financing information at **(612) 348-1642**.

Venture Capital: Small Business Investment Companies

Small Business Investment Companies (SBICs) provide venture capital to small businesses. The SBA licenses, regulates and provides financial assistance to privately-owned and operated SBICs whose major function is to make venture investments by supplying equity capital and extending unsecured loans and loans

not fully collateralized to small enterprises which meet their investment criteria. SBICs are privately capitalized and obtain financial leverage from the SBA. To locate a Small Business Investment Company in your area, visit www.sba.gov/mn select financing or call the Minnesota District Office at **(612) 370-2324**.

SBA Financing Programs

OTHER SBA LOAN PROGRAMS

BASIC TERMS AND CONDITIONS OF SBA 504 LOANS

The 504 Certified Development Company Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The program is designed to enable existing small businesses to create and retain jobs. Typically, a 504 project includes:

- A loan secured with a senior lien on the financed asset made by a private-sector lender (covering 50 percent of the fixed financing),
- A loan secured with a junior lien made by a CDC (funded by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the financing, and
- At least 10 percent is contributed by the small business or some other non-federal source who will take a third collateral position.

The SBA-guaranteed debentures are pooled monthly and sold to private investors. The maximum SBA debenture is \$1.5 million with a few exceptions that can go as high as \$4.0 million. Proceeds from 504 loans must be used for fixed-asset projects such as:

- Purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping;
- Constructing, modernizing, renovating or converting existing facilities; and
- Purchasing machinery and equipment.

The 504 program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

• Terms, Interest Rates & Fees

Interest rates on 504 loans are fixed at the time of the debenture sale. The interest rates approximate the current market rate for five- and 10-year U.S. Treasury issues, plus a small increment. Maturities of 10 and 20 years are available.

• Collateral

In addition to the fixed asset mortgage, personal guaranties on the owners of 20 percent or more of the business are required.

• Eligibility

To be eligible, a business with its affiliates must be operated for profit and fall with the size standards set by the SBA. The business must also have a tangible net worth of \$7 million or less and an average net income of \$2.5 million or less after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment.



French Meadow Bakery owner Lynn Gordon and partner Nick McCrery inspect cookies at Organic Concepts.

SBA Financing Programs

FOR INFORMATION ON THE 504 PROGRAM – CONTACT A CERTIFIED DEVELOPMENT COMPANY

Certified Development Companies (CDCs) assist qualified businesses in applying for SBA 504 fixed asset loans. These community-based CDCs package and service the loans. Services provided vary according

to community. They may assist with financial, building construction or marketing issues, property location, business planning and labor surveys. Contact a CDC for more information about the 504 program.

Central Minnesota Development Company

277 Coon Rapids Boulevard, Suite 212
Coon Rapids, MN 55433
(763) 784-3337
www.cmdc1stop.com

Minnesota Business Finance Corporation

616 Roosevelt Road, Suite 200
St. Cloud, MN 56301
(320) 255-1685
www.mbfc.org

Prairieland Economic Development Corporation

1 Prairie Drive
Slayton, MN 56172
(507) 836-6656 or (800) 507-9003
www.prairielandedc.com

Southeastern Minnesota 504 Development, Inc.

220 South Broadway, Suite 100
Rochester, MN 55904
(507) 288-6442
Fax: (507) 282-8960
email: dwanelee@qwest.net

SPEDCO

2459 – 15th Street N.W., Suite A
New Brighton, MN 55112
(651) 631-4900
www.spedco.com

Twin Cities Metro Certified Development Company

4166 Lexington Avenue North
Shoreview, MN 55126
(651) 481-8081
www.504lending.com
email: info@504lending.com

BASIC TERMS AND CONDITIONS OF THE 7(M) MICROLOAN PROGRAM

The MicroLoan Program combines the resources and experience of the SBA and locally-based nonprofit organizations to provide small loans and technical assistance to small businesses. Under the MicroLoan Program, the SBA makes funds available to qualified nonprofit organizations, which act as intermediary lenders. The intermediaries use these funds to make loans of up to \$35,000 to new and existing small businesses. In addition, the intermediaries provide management and technical assistance designed to help ensure success. The intermediaries lend within their service area; this is not a statewide program.

MicroLoan funds may be used for working capital or to purchase inventory, supplies, furniture, fixtures, machinery and/or equipment. These funds may not be used to purchase real estate, to provide a down payment on a project in excess of \$35,000 in value, or, with limited exceptions, to refinance existing debts.

Microloan Terms & Interest Rates

The maximum term for a microloan is six years. Interest rates can be up to 8.5% over the intermediary's cost of borrowing from the SBA. Microloans are direct loans from the intermediary lenders. They are not guaranteed by the SBA.

Collateral

Each intermediary lender will have its own requirements regarding collateral and personal guaranties.

Eligibility

Virtually all types of for-profit businesses that meet the SBA's size and type-of-business standards for the 7(A) Loan Guaranty Program may apply for a microloan, provided there is a microlender in the geographic area of the business.

SBA Financing Programs

FOR INFORMATION ON THE MICROLOAN PROGRAM – CONTACT A MICROLENDER

Northeast Entrepreneur Fund, Inc.

8355 Unity Drive, Suite 100
Virginia, MN 55792

(218) 749-4191 800-422-0374

www.entrepreneurfund.org

Service Area: The counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Koochiching, Lake, Pine, or St. Louis.

Northwest Minnesota Foundation

4225 Technology Drive, NW
Bemidji, MN 56601

(218) 759-2057

www.nwmf.org

email: nwmf@nwmf.org

Service Area: The counties of Beltrami, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Rousseau

Southern Minnesota Initiative Foundation

525 Florence Avenue, P.O. Box 695
Owatonna, MN 55060-0695

(507) 455-3215

www.semif.org

email: inquiry@smifoundation.org

Service Area: The Counties of Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmstead, Rice, Sibley, Steele, Wabasha, Waseca, Watonwan, and Winona

Southwest Minnesota Foundation

1390 Highway 15 South, P.O. Box 428
Hutchinson, MN 55350

(320) 587-4848

www.swmnfoundation.org

Service Area: The Counties of Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac Qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine

Women Venture

2324 University Avenue
St. Paul, MN 55114

(651) 646-3808 Ext. 108

www.womenventure.org

Service Area: The counties of Anoka, Carver, Chisago, Dakota, Goodhue, Hennepin, Isanti, Ramsey, Scott, Stearns, Steele, Washington, Wright. Cities of Minneapolis and St. Paul.

THE AMERICAN DREAM: IS ENTREPRENEURSHIP FOR YOU?

There is no way to eliminate all the risks associated with starting a small business. However, you can improve your chances of success with good planning and preparation. Thorough research is critical. Taking the time to thoughtfully consider all aspects of your venture will save you time and money in the long run. It is also a good idea to evaluate your strengths and weaknesses as the owner and manager of a small business. Consider the following:

Are you a self-starter?

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

How good are you at making decisions?

Small business owners are required to make decisions constantly, quickly, independently, and under pressure.

Do you have the physical and emotional stamina to run a business?

Business ownership can be challenging, fun and exciting. It is also a lot of work. Can you face 12-hour work days six or seven days a week?

How well do you plan and organize?

Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules, and 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 to make the business succeed will help you survive slowdowns as well as periods of burnout. Do you feel passionate about your business venture enough to sustain your commitment?

How will the business affect my family?

It can be hard to balance the time required for your business with the demands of family life during the first few years of a business start-up. There also may be financial difficulties until the business becomes profitable. This could take months or years. You may have to adjust to a lower standard of living or put family assets at risk.

On the **UPSIDE...**

It's true, there are a lot of reasons not to start your own business.

But for the right person, the advantages of business ownership far outweigh the risks.

- ✓ You get to be your own boss.
- ✓ Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- ✓ Earning and growth potential are far less limited.
- ✓ A new venture is exciting. Running a business will provide endless variety and challenge and you won't settle into a dull routine.

PREPARING YOUR BUSINESS PLAN

Why Have a Business Plan?

A business plan defines your vision for the future. It takes time, energy and patience to develop a satisfactory business plan. However, by getting your ideas and the facts in writing, you will see the strengths and weaknesses of your venture more clearly in time to address concerns.

Your goal is to execute your plan into action. There are four major benefits to developing your own plan:

1. A plan gives you a path to follow. Chart your future by setting goals and defining action steps to guide your business through turbulent economic cycles.
2. A plan lets your banker in on the action. By reading the details of your business plan, your lender gains insight into your situation that will help determine whether or not to lend you money.
3. A plan provides a way to communicate your operations, goals, and business philosophy to personnel, suppliers and your other business contacts.
4. A plan develops you as a manager by making you construct a clear 'blueprint' of your business venture.

Guide to Writing a Business Plan: Begin with the Basics

Name of Firm

State the legal name of the business.

Owner or Owners-to-be

State owner(s) name(s), as well as the form and percent of ownership.

Information on the Business

a) Type of Business

- State the general and specific nature of the business (i.e.; general-energy; specific-oil, solar, wind; or general food; specific-bakery, restaurant, catering, farming, ice cream parlor).
- State the type of business (manufacturing, service, construction, wholesale, retail, other).
- State the company's goals and objectives.
- Describe your products and/or services. State who buys the product/service and who the final users are (be brief here, because you will be

discussing your customers thoroughly under Market Analysis).

- Describe how the product or service is sold to customers (walk-in, stores, sales representatives, mail order catalogs, telephone orders, internet, etc.).
- Describe how and where buyers get your product/service (retail outlet, wholesale, mail, pickup or delivery, etc.).
- Comment on quality of product/service.
- Estimate average price of product/service.

b) History

If your business is new, say so. If you have an existing business, discuss age of the company, prior owners, how acquired and length of time operated by you, image or reputation, number of employees, last year's sales volume and profit and any significant events that have affected the company's development.

c) Offices

- State whether rented, leased or owned. If rented or leased, state from whom and under what conditions.
- Describe type of access to building (major roads, freeways, walking, parking, etc.). Is the location a good one that is convenient to customers?
- State business hours. State size (square footage).

d) Personnel

State current and future figures for: number of employees, type of labor (skilled, unskilled, etc.), sources of labor (especially minorities, handicapped, veterans or other socially or economically disadvantaged groups), timing of hiring (or layoffs).

e) Economic/Accounting

- Describe how this business makes money.
- State how and by whom prices are determined.
- State what financial records will be kept and who will keep them.

f) Production

- Describe the inventory, raw materials and/or supplies the business uses (initial and continuing).

PREPARING YOUR BUSINESS PLAN – continued

f) Production (continued)

- List your suppliers - name, address, type and percent of supplies furnished, and length of time you have been buying from each, reliability and frequency of purchase.
- How easy or difficult is it to get necessary supplies? If it is difficult, how will you deal with potential or an actual shortage?
- Are the prices of your supplies steady or fluctuating? If so, how will you deal with changing costs?

g) Legal

- State form of business (sole proprietorship, partnership, corporation) and status (not yet applied, applied and pending, obtained).
- State licensing requirements (type and licensing source) and status (not yet pending, obtained).
- State zoning requirements and status (verified, OK, rezoning).
- State insurance requirements (type, source) and status.
- Describe compliance with building codes.
- State compliance with health code requirements.
- Describe any other laws and regulations that affect the business and the measures you have taken to comply.
- Describe the specifications of your lease, if you have one.
- Trademarks, patents, licenses and copyrights should be checked for legality.

h) Future Plans

Explain your plans for the future - whether to maintain, expand, diversify, sell, etc.

❑ Market Analysis

a) Customers

- Define your market and your customers (wholesalers, retailers, consumers, government, etc.).
- Why does this market need your product/service? Is your product or service a fad or a continuing need?
- Will it soon be phased out or recreated by new technology?

- List the characteristics of your average customers: age, location (market area), average income/sales, sex, lifestyle (family or single), employment and other important information. The more you understand about your market, the better you can sell to it.
- What do customers like and dislike about your product or service?
- Estimate the size of your market in terms of number of customers.
- Estimate how much the total market will spend on this or similar products or services in the next year.

b) Environment

- Discuss any external environmental factors (economic, legal, social or technological) that affect your market or product/service. Environmental factors are those that have significant effects on your operation, but over which you have no control, i.e., county growth, rising energy prices, etc.

c) Competition

- Discuss your competition: number of competitors (direct and indirect), type of company (i.e. product or service), location, age, reputation, size (sales or customers), and market share.
- List major competitors (names and addresses) and discuss their product/service features, price, location/distribution, reputation/image, size (sales or customers), market share.

d) Competitiveness

- Discuss how your product/service meets market needs and how you compare with the competition in terms of product/service features, location/distribution, price, other.
- Compare your estimates of the market's demand and the competition's supply.

e) Projections

Give your projections in terms of the number of customers, items sold, contracts obtained, etc.

PREPARING YOUR BUSINESS PLAN – continued

❑ **Market Strategy**

a) **Sales Strategy**

- Present your marketing strategy. Tell how you will get the edge on your competition and get customers. This is your action plan to get business.
- Your product/service will sell because one or more of the following is attractive: features, pricing (high, medium or low), distribution system (limited, widespread, etc.) and promotion.

b) **Promotion**

- Describe how you plan to promote your product/service: advertising, direct mail, personal contacts, sponsoring events or other (word of-mouth, trade associations).
- If you plan to advertise, state what media you will use: radio, television, newspaper, magazines, telephone book Yellow Pages, and/or other (billboard, etc.). State why you consider the media you have chosen to be the most effective.
- State the content of your promotion or advertising: what your product/service is, why it is attractive, business location, business hours, and business phone number. When you are designing your advertising, remember you are selling to satisfy someone's need. Refer back to your Market Analysis to ensure you've designed your advertising with your target market in mind.

❑ **Management**

- Why have you chosen this type of business? For owners and key management personnel, include the following: resumes, personal financial statements, tax returns for the last three years and personal family budget.
- Describe prior experience that qualifies management to run this type of business. State how much time management will devote to running this business. Discuss local contacts that may assist you.

❑ **Financial**

a) **Sources and Uses**

- Describe the project to be financed.
- State where the money to pay for the project will come from (sources) and specifically how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory, and working capital.

b) **Statements**

- If the business is an existing one, include business tax returns and financial statements for the last 3 years. Financial statements should include:
 - Balance Sheet - Income Statement - Accounts Payable and Aging
 - Debt Schedule - Accounts Receivable and Aging - Reconciliation of Net Worth
- For both existing and new businesses, project the following financial statements for the next 3 years (monthly for first year, annually for second and third):
 - Operating/Income Statement with explanation (sales, expenses, profit)
 - Cash Flow with explanation
 - Balance Sheet
 - Break-even Analysis

Business Start-Up Kit

HOW TO CHOOSE A BANK THAT MEETS SMALL BUSINESS NEEDS

by the Minnesota Bankers Association

As the owner of a small business, finding a bank that is able to meet your financial needs is essential to your business success. How do you determine which bank is right for you, or in some cases, if you are right for the bank? There are several factors small business owners should consider when thinking of establishing a business banking relationship.

❑ Assess Your Business Financial Needs

Ask yourself several key questions:

- What credit (loans) and non-credit products and services (deposit accounts, investments, cash management, trust services, letters of credit) does my business need?
- Is convenience of the bank's location important?
- Is it important for me to have access to the senior management of the bank?
- How much will pricing influence my decision?

Put some thought into what type of financing you will need. Is it for inventory, equipment or real estate? Know how much money you need to borrow and what repayment schedule fits with your business cash flow. Once you have determined what the financial needs of your business are, you will be better able to assess which bank can best meet your needs.

❑ Get References

Check with other small business owners or people in your industry and find out where they bank and whom they suggest. Certain banks serve niche markets and there may be a bank that focuses on your industry.

❑ Interview Banks

When interviewing banks, a good starting place is the bank where you currently do your banking and have a proven track record. Ask whether they have a small business lending department. If not, do they have staff dedicated to serving the needs of small businesses? If you are interested in Small Business Administration programs, ask whether the bank makes SBA loans and if it has been designated as a certified or preferred SBA lender. The SBA provides the preferred lender designation to banks that have been heavily involved in SBA lending. Lastly, describe your product and

service needs and ask how the bank can meet those needs. For example, if your business is involved in international trade, does the bank have international service capabilities?

❑ Visit the Bank

After you have narrowed down your choices, visit the bank and discuss your business needs with them. Be prepared. Have a marketing plan and financial data available. In some cases, your business may not fit into the bank's marketing strategy. Before you get too far into the credit approval process, find out whether the bank thinks it can meet your financial needs based on preliminary information you provide to them. Ask the bank about its credit approval process.

- Who at the bank will need to approve your loan?
- What is the turnaround time on a loan decision?
- What type of financial data will you need to provide to them?
- What is the bank's in-house lending limit?

It is important for you to find out whether the bank is able to structure the financing so that it meets your business' cash flow cycle.

Next, find out about the person at the bank you will be dealing with. Are you comfortable with the bank staff? In many instances, you will need to teach the banker about your business. Because of the regulatory environment banks operate in, they must do their "due diligence" in making loan decisions. This requires them to ask you for financial data about you and your business. Find a banker with whom you are comfortable discussing this type of information.

Lastly, businesses experience ups and downs. Ask your banker how the tough times are handled. Banks offer a variety of credit and noncredit services to meet the unique financial needs of small business owners. The many products and services offered by banks such as loans, deposit accounts, investments, cash management and international and trust services can assist in furthering your business' goals. Assessing your needs before choosing a bank will ensure you have selected a bank that is best suited to help you meet your financial goals.



Not All Parts of a Business Plan are Created Equal

All points of a business plan deserve your consideration, but admittedly, some deserve more careful attention than others:

- **Marketing** – Nothing is more important than knowing your market. The most innovative product or idea in the world won't make money if its inventor can't find customers for it. The greater part of your planning efforts should go into a market study. Define who you are going to sell to and how you are going to get them to buy from your company.

- **Cash Flow** – At its most basic, a cash flow projection is nothing more than a projection of your checking account. Note that cash flow is not the same as profit. A business with good cash flow may not show profits, while a business showing profits may be in bankruptcy because it has insufficient cash to pay its debts. **Remember cash, not profits, pays the bills.** To do a cash flow projection you must understand the movement of cash through your business operation. You need to know starting cash, then estimate cash receipts and cash payments during the period (usually one month). With practice a good manager can forecast cash needs in advance and can avoid being cash starved at critical times.

- **Break-even Point** – The break-even point is that level of sales needed to cover the fixed and variable costs of providing your product or service. Each unit of sales brings in revenue, but also has associated costs. It is important to know the point at which all costs are met and further sales will begin to generate profits.

Corner Coffee House owner Doug McMillan mans the service window for the drive-through customers on a winter morning.

Business Start-Up Kit

CHECKLIST FOR GOING INTO BUSINESS IN MINNESOTA

- Prepare a comprehensive business plan. Anyone who extends credit to you (lenders, suppliers, equipment and property lessors) will ask to see it.
- Phone the Minnesota Small Business Assistance Office at (651) 296-3871. Ask for a free copy of *A Guide to Starting a Business in Minnesota*.
- Thoroughly estimate your start-up costs. These include: rent, supplies, telephone, insurance, opening inventory, license and permit fees, legal and professional fees, fixtures and equipment, decorating and/or remodeling costs, advertising and promotion costs, salaries and wages, utility deposits, adequate cash reserves.
- Have a record system that will keep track of all of your income and expenses, inventory, payroll records, and tax reports. Have an accountant who will help with your financial statements (preparation and interpretation).
- Insure your business. Some basic types of insurance are: property insurance (includes fire, storm, glass, auto, theft, vandalism), business interruption, key person, liability, workers' compensation, health insurance, product liability, fidelity and surety bonds.
- Know how to price the goods and services that you sell.
- Identify your suppliers. Have firm agreements with them in place before you start, i.e. terms, prices, ordering policies, delivery schedules.
- Establish customer payment policies. This includes check cashing, payment terms, extending credit and use of credit cards.
- Have job descriptions and work policies in place for all employees. Determine benefit packages keeping in mind such things as: payroll tax, health and/or life insurance, vacation, sick leave, and training.
- Determine the type of business organization for your company - proprietorship, partnership, or corporation. This will have tax and management control consequences.
- Set up a company bank account that is separate from your personal account.
- Register your business name (if assumed) with the Secretary of State's Office. If you are a corporation, file with the Secretary of State. Partnerships may register with the Secretary of State, but this is not necessary.
- Minnesota businesses will need one or more tax identification numbers. These include the Federal Employer Identification Number, the Minnesota Taxpayer Identification Number, and the Minnesota Unemployment Compensation Employer Identification Number.
- Businesses engaged in making taxable retail sales or providing taxable services will need a Minnesota sales and use tax permit.
- The state, counties and municipalities of Minnesota may require one or more licenses for your business. For the state check with the Minnesota Small Business Assistance Office. For the county and city check with your local government offices about permits and codes (building, fire, health, etc.). Franchise businesses should contact the Minnesota Department of Commerce.
- Make sure that the location you select for your business is properly zoned for your type of business.
- For more information on any of the items above please consult the list of Frequently Requested Numbers at the end of the Resource Guide.

FREQUENTLY ASKED QUESTIONS -STARTING A BUSINESS

Q. I'm told that I need to register my business name with the State of Minnesota. Who do I contact to register my business name?

A. Business names are registered with the Minnesota Secretary of State, Business Services Division. Whether you are filing a certificate of assumed name, the registration of a corporate name, limited liability partnership or limited liability company name, appropriate forms can be downloaded at <http://www.sos.state.mn.us/business/forms.html>. For more information call the Secretary of State Office at **(651) 296-2803**.

Q. How do I find out if my business will require a business license?

A. The State of Minnesota, Bureau of Business Licenses, has an online directory of business licenses, (www.bizlinks.org/license.html) listing licenses required. In addition to the licensing requirements imposed by the state, some local governments also require certain kinds of business activity to be licensed on the local level. Contact your city clerk for local license information. The cities of Minneapolis and St. Paul have licensing departments.

www.ci.minneapolis.mn.us/business **(612) 673-2080**
www.ci.stpaul.mn.us/business **(651) 266-9090**

Or, the Minnesota Small Business Assistance Office publishes "A Guide to Starting a Business in Minnesota" which includes a directory of business licenses and permits. The State will send this out free of charge. Order the book online and click on the Department of Employment and Economic Development hotlink, or call their automated voice-mail publication order line at **(651) 296-3871**.
www.deed.state.mn.us

Q. Where do I get a tax identification number with the federal and state government?

A. For a tax identification number with the State of Minnesota, download Form ABR at the Department of

Revenue at website: <http://www.taxes.state.mn.us>. To order Form ABR via telephone, call **(651) 296-4444** and use their automated voice system. If you already have a tax identification number and have had business changes, notify the State of Minnesota by calling **(651) 282-5225**.

The Federal Employer Identification Number (EIN) can be obtained at the Internal Revenue Service website: www.irs.gov/businesses/small/index.html or call **1-866-816-2065**.

Q. How can I get a copy of the "Guide to Starting a Business in Minnesota"?

A. Order the guidebook online at the Minnesota Small Business Assistance Office: www.deed.state.mn.us and click on *Small Business Assistance*, or call the DEED automated voice-mail publication order line at **(651) 296-3871**.

The State of Minnesota also hosts the BizLinks website. BizLinks offers links to web pages established and maintained by the state agencies, and others that deal with specific business topics at www.bizlinks.org.

Q. I've heard SBA has a grant program for people that want to start a small business, but I can't find any information about the grants. Where do I look?

A. SBA does not offer grants to start or expand small businesses. SBA's grant programs generally support non-profit organizations, intermediary lending institutions, and state and local governments in an effort to expand and enhance small business technical and financial assistance. The Agency's small business financial assistance programs are comprised of a wide range of loan programs, each targeted at different markets. For more information on any non-profit organization grant programs go to SBA's website at www.sba.gov/expanding/grants.html

Business Start-Up Kit

FREQUENTLY ASKED QUESTIONS -STARTING A BUSINESS – continued

Q. I need to find out about SBA's loan program. Do I go directly to SBA?

A. Not necessarily. SBA provides its loan guaranty to the lending institution. It is recommended that you meet with a potential lender first, and once the lender agrees to become involved, it is the lender that submits a completed loan application to SBA. Keep in mind, that it is the financial institution's decision to apply for the SBA loan guaranty. If the bank is willing to lend to you without SBA involvement, there is no reason for SBA to become involved.

You can review our lending programs in detail at www.sba.gov/financing/sbaloan/snapshot.html

Before you approach the bank it is important that you do your homework first. Lending institutions expect a completed business plan when you apply for the loan. The business plan consists of information about the business, its history, a market analysis and strategy, management and financial disclosures. Don't let this scare you off; there are several programs to help you complete the business plan. See question: Is there anywhere I can go to get help writing a business plan?

Q. Is there anywhere I can go to get help writing a business plan?

A. A business plan precisely defines your business, identifies your goals and serves as your firm's resume. Its basic components include a current and pro forma balance sheet, an income statement and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make the right decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan package. Additionally, it can tell your sales personnel, suppliers and others about your operations and goals.

We have an on-line site devoted to helping you write your business plan at www.sba.gov/starting_business/planning/basic.html

The primary resource for assistance in developing your business plan in the metropolitan area is the Business Planning Center (BPC). The BPC offers a wide range of tools to assist individuals and business owners planning their business. Computers are available on a first come, first served basis. Business plan software is available for your use at the BPC Center. Refer to our Business Resources section in this guide for a complete of BPC services.

Q. I need to talk with someone about getting a loan. Who can help me?

A. SBA has a number of resource partners that will counsel you on a one-on-one basis. Most are available at no cost to individuals. Read about the different programs and their locations in our Business Resources section of this guide. You should find the right resource for you.

Attend one of the Loan Information Seminars to learn more about the various loan programs that can help you meet your financing needs. The seminar schedule is listed on The SCORE Association section in this guide or visit our website for the schedule at www.sba.gov/mn_training_calendar.

Q. Where can I obtain information if I want to start exporting my product?

A. There are numerous resource partners available to help small businesses gain the knowledge in order to export their products. Those resources are: SBA representative located in the U.S. Export Assistance Center (USEAC) (612) 348-1642 or www.sba.gov/mn; The Minnesota Trade Office (651) 297-3920 or www.exportminnesota.com; The Department of Commerce-Commercial Service (612) 348-1638; SCORE at (612) 348-1638 or (651) 297-4222.

Q. Where can I obtain information about importing?

A. A good resource for information regarding exporting your products or services is: Midwest Global Trade Association (MGTA) at (651) 917-6257, www.mgta.org and US. Department of Customs at (612) 348-1690.

Business Start-Up Kit

FREQUENTLY ASKED QUESTIONS -STARTING A BUSINESS – continued

Q. I am currently exporting my product but need information about tariffs and taxing. Who can I talk to?

A. The Department of Commerce-Commercial Service can help any business with questions about costs involved in exporting. An International Trade Representative can be reached at: **(612) 348-1638** or visit the website at **www.exportassistance.com**.

Q. We want to sell our products or services to the state or federal government. Who can help me achieve this goal?

A. In Minnesota your first contact should be with the Metropolitan Economic Development Association (MEDA). MEDA's Procurement Technical Assistance Center (PTAC) provides no-cost to low-cost counseling and procurement technical assistance and training to Minnesota businesses regarding government contracting. The PTAC assists businesses by:

- **discovering government contracting opportunities;**
- **interpreting specifications and standards; and,**
- **counseling on solicitations prior to submission and post-award compliance issues.**

Their website is: **www.meda.net**. Click on "*Procurement Technical Assistant Center*," or call **(612) 332-6332**.

If you would like to do some online research the SBA's Office of Government Contracting is a good place to start. The web address is **www.sba.gov/GC**.

All Government contractors large and small must be registered in the Central Contractor Registration (www.ccr.gov). Small businesses can also register in the Dynamic Small Business Search Database which is accessed through CCR. Buyers search the CCR/ Dynamic Small Business Search Database to find small businesses like yours that can provide the products and services the agencies need.

Registering your business in CCR/ Dynamic Small Business Search Database is free. It is also free to federal and state government agencies as well as prime and other contractors seeking small business contractors, subcontractors and/or partnership opportunities. CCR/Dynamic Small Business Search Database is open to all small firms seeking federal, state and private contracts.

Businesses profiled on the CCR/Dynamic Small Business Search Database system can be searched by NAICS codes; key words; location; quality certifications; business type; ownership race and gender; EDI capability, etc.

Small businesses wanting to sell to the government should plan on attending the Federal Executive Boards SADBOD Government Procurement Fair on **November 8, 2006** at the Earle Brown Heritage Center in Brooklyn Center, MN. SBA handles registration at **www.sba.gov/mn**. There is no charge to attend this event.

Phone Numbers and Websites

FREQUENTLY REQUESTED NUMBERS AND WEBSITES

Registration of Your Business Name (Proprietorship, Partnership, Corporation)

The Secretary of State Office Business Services (www.sos.state.mn.us)651-296-2803

Business Licenses/Permits/Zoning

City of Minneapolis (www.ci.minneapolis.mn.us/business)612-673-2080

City of St. Paul (www.ci.stpaul.mn.us/business)651-266-9090

State of Minnesota Small Business Assistance Office (www.deed.state.mn.us)

(For Directory of Business Licenses Requirements)651-296-3871

State of Minnesota Offices

State Taxpayers Information Service/Answers to Questionswww.taxes.state.mn.us...651-296-3781

State Small Business Assistance Office Publications651-296-3871

State Withholding Tax Number Information651-296-3781

Sales Tax Division651-296-6181

Sales Income Tax Division [Tax ID Number Questions/Tax Number Application Form MBA]651-296-3781

Pollution Control Agency.....www.pca.state.mn.us.....651-296-6300

Worker's Compensation www.doli.state.mn.us Dept. of Labor & Industry,

National Institution of MN OSHA (questions and free counseling).....651-284-5060

Minnesota Department of Labor and Industry www.doli.state.mn.us.....651-284-5005

Toll-free for Greater Minnesota.....1-800-342-5354

Minnesota Department of Commerce - Franchises www.commerce.state.mn.us651-296-6328

Federal Government Offices

U.S. Department of Commerce/Export Resource www.exportassistance.com612-348-1638

U.S. Patent & Trademark Office (Recording Forms) Arlington, VA www.uspto.gov....1-800-786-9199

U.S. Copyright Office, Library of Congress, Washington, DC www.copyright.gov.....202-707-3000

Forms also available from Mpls/St. Paul Public Library

U.S. Customs Service (Import Questions) www.customs.ustreas.gov.....612-348-1670

U.S. Department of Labor, Wage & Hour Division www.dol.gov.....612-370-3371

U.S. Small Business Administration www.sba.gov/mn.....612-370-2324

Internal Revenue Service www.irs.gov

Federal Taxpayers Information Service1-800-829-1040

Employer Identification Number (EIN).....1-800-829-4933

Occupational Safety & Health - Federal www.osha.gov.....1-800-356-4674

Phone Numbers and Websites

FREQUENTLY REQUESTED NUMBERS AND WEBSITES – continued

Miscellaneous Numbers

Accountability Minnesota (tax help and workshops) www.accountabilitymn.org	651-287-0187
Better Business Bureau www.bbb.org	651-699-1111
Business Planning Center	651-209-1884
Insurance Federation of MN – Insurance Help Line www.insurancefederation.org	651-222-3800
Toll-free number, greater Minnesota.....	1-800-642-6121
James J. Hill Reference Library www.jjhill.org	651-265-5500
Lawyer’s Referral Service (Hennepin County Bar Association)	612-752-6666
LegalCORPS (Micro business and nonprofit assistance)	612-752-6678
Toll-free number, greater Minnesota.....	1-888-454-5267
Metropolitan Economic Development Association www.meda.net	612-332-6332
Minnesota Inventor’s Congress www.inventhelper.org	1-800-468-3681
Minnesota Society of Certified Public Accountants www.mncpa.org	952-831-2707
NAICS Codes, Business Size Standards, Contracting/Bonding/Selling to Government:	
SBA Size Standards www.sba.gov/size	612-370-2324
SCORE Offices www.scoremn.org	
Minneapolis www.score-minneapolis.org	952-938-4570
New Ulm www.score-newulm.org	507-233-4300
Redwing www.score-redwing.org	651-388-4719 x20
Rochester www.score-rochester.org	507-288-8103
South Metro www.score-southmetro.org	952-890-7020
St. Cloud www.stcloudscore.org	320-240-1332
St. Paul www.score-stpaul.org	651-632-8937
Minnesota SCORE District Office email: info@scoremn.org.....	612-370-2309
Small Business Development Centers (SBDC) www.mnsbdc.com	651-297-5770
<i>For location near you please see pages 5 and 6 in this book.</i>	
Small Business Innovative Research (SBIR), MN Dept. of Employment and Economic Development	
www.sba.gov/sbir	651-282-6714

CELEBRATING MINNESOTA'S SMALL BUSINESSES

NOTE TO CHIP
Please use the s
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www.SBA.GOV/MN

www.SCOREMN.ORG

