

## Compliments of SCORE - Counselors To America's Small Business

CENTRAL VIRGINIA CHAPTER SERVING CHARLOTTESVILLE AND THE SURROUNDING COUNTIES

### INSIDE THIS ISSUE

Angel Investing  
SBA 504 Program  
Community Express  
Patriot Express  
Financial Resources  
Events Calendar

### LAYOUT & DESIGN

Lapdog Productions  
Charlottesville, VA 22902  
P: 434-989-5480  
www.lapdogpro.com

### FOR FREE COUNSELING CONTACT

SCORE  
P.O. Box 865  
209 5th Street, N.E.  
Charlottesville, VA 22902  
P: 434-295-6712  
F: 434-295-3144  
www.score-494.org

### TO SUBSCRIBE, QUESTIONS OR COMMENTS

Email:  
questions@score-494.org

## CHAIRMAN'S CORNER

—*Steve Cooper*

Thanks to all of you who have responded so positively to our *Newsletter*. Our goal is to explore topics of interest to the small business owner. In the last *Newsletter* two methods of acquiring funds to run a business were presented. These included the Small Business Administration 7(a) Loan Program, as well as small business financing by way of direct lending from a bank. Also discussed was the fact that one of the most critical tasks in preparing to apply for a loan is the completion of a detailed cash flow to identify exactly what sums will be required for the operation of the business. In this quarter's *Newsletter* you will find articles which address some additional methods of raising those funds.

The article on Angel Investing focuses on ways in which the small business can acquire funds from a private individual or group. Three other articles examine additional programs offered by the Small Business Administration. One is the 504 Loan Program for major fixed assets such as land, equipment or buildings. Another is the Patriot Loan Express Program for Veterans and members of the military, including spouses. Finally, there is the Community Express Loan Program which features a quick turnaround, in addition to loans in amounts as low as \$5,000.

A SCORE counselor can assist in deciding which loan program is right

— CONTINUED ON PAGE 4

## ANGEL INVESTING

—*Letitia Green*

According to a Kauffman Foundation's 2005 study, more than 465,000 new businesses a year are created in the United States. However, the need for initial funding can sometimes cripple a young entrepreneur's dreams. Looking at different capital sources, Dan Cohen, a Washington D.C. innovator made his dream of a social networking site for pet enthusiasts a reality by initially raising money from friends and family. After reaching 51,000 members, validating the "attraction" of the web site, he successfully pitched local angel groups to raise \$1M for the next generation of his wildly popular site [www.animalattraction.com](http://www.animalattraction.com).

Though friends and family provide a needed source of investment, they typically cannot provide essential industry expertise and contacts. After friends and family, and before a bank, are angel investors, either as individuals or in groups. Individual angel investors, sometimes called Super Angels, are high net worth individuals willing to invest a sizable amount and who typically desire a role in the company. Individual angel investors are by nature private and thus can be more difficult to find without a referral.

— CONTINUED ON PAGE 4

# SMALL BUSINESS ADMINISTRATION (SBA)

## 504 LOAN Program

The 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, buildings, machinery, equipment and fixtures construction, expansion of manufacturing facilities, and other job intensive structures. 504 loans cannot be used to finance working capital, inventory, refinancing, franchise fees, or autos, trucks, or planes.

One of the major advantages to obtaining a SBA 504 loan is the below market fixed rate and up to 90% financing.

504 loans are processed by SBA-licensed Certified Development Corporations (CDC) which creates a SBA guaranteed subordinated debenture (similar to a 2nd mortgage).

The maximum SBA debenture is \$1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$50,000 provided by the SBA except for "Small Manufacturers" which have a \$100,000 job creation or retention goal.

### QUALIFICATIONS

In order to qualify for a \$4 million 504 loan, the Small Manufacturer must 1) meet the definition of a Small Manufacturer which is defined as a small business concern that has: Its primary business classified in sector 31, 32, or 33 of the North American Industrial Classification System (NAICS); and All of its production facilities located in the United States., and 2) either (i) create or retain at least 1 job per \$100,000 guaranteed by the SBA [Section 501(d)(1) of the Small Business Investment Act (SBI Act)], or (ii) improve the economy of the locality or achieve one or more public policy goals [sections 501(d)(2) or (3) of the SBI Act].

The maximum SBA debenture is \$2.0 million when 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
- Increasing productivity and competitiveness
- Restructuring because of federally mandated standards or policies.
- Changes necessitated by federal budget cutbacks.
- Expansion of small business concerns owned and controlled by veterans (especially service-disabled veterans)
- Expansion of small business concerns owned and controlled by women.

The debenture rate is fixed at closing at a rate close to treasury securities of like term. Banks may charge a fixed or floating market rate for their conventional portion along with points and fees. The result is a blended rate to the SBC.

### APPLICATION PROCEDURES

To apply for a 504 loan, you will need essentially the same information that any commercial lender requires including:

- Historical financial statements/tax returns for business
- Projections for the next two years and month-by-month cash flow for start-ups
- Business debt schedule
- Personal financial statements and tax returns for the owners
- History/description of business and owners' resumes
- Contract to purchase, construction/renovation estimates

A convenient application checklist can be found online at [www.businessfinancegroup.org](http://www.businessfinancegroup.org).

# COMMUNITY EXPRESS

— *Tanya Brockett*

The US Small Business Administration's Community Express (CX) loan program offers financing along with management and technical assistance to the borrower. It provides access to capital for businesses owned by low-to-moderate income individuals, women, minorities, and veterans. Borrowers must be small businesses and loan amounts must be under \$250,000. If you need less than fifty thousand, this program is an especially great fit for you, because you can get the loan without pledging collateral. More than 8,100 businesses benefited from CX loans last year.

## LOAN PROGRAM FEATURES AND BENEFITS

Features of this program vary by the lender, but might include:

- Loans as small as \$5,000 and as large as \$250,000
- Seven- or ten-year term with no prepayment penalty
- Quick turnaround time (often less than 30 business days)
- No business plan required for application (in most cases)
- No collateral required (usually for loans under \$50,000)
- No equity injection required (in most cases)

Benefits of the program include:

- Technical assistance providers make the application process painless
- Start-ups can apply for and get these loans
- It is a business loan in the business' name for a business purpose
- Interest rate is better than using cash advances on your business credit card (and you can't pay employees with a credit card)
- Business collateral is not tied up when you later apply for another loan
- All loan decisions are NOT based entirely on credit

There are a few SBA lenders that provide access through the CX program in Virginia. Each of these lenders can use their own forms, set their own lending criteria, set their own loan maximums, and all require the use of technical assistance providers. Technical assistance is an essential component to the program.

The Virginia SBA provides a list of technical assistance providers at their site:

[www.sba.gov/localresources/district/va/VA\\_TECHASSIST.html](http://www.sba.gov/localresources/district/va/VA_TECHASSIST.html).

Keep in mind, debt financing and the CX loan may not be for everyone. You should speak with your SCORE counselor about whether any loan is right for you. In looking at the CX program, note that it has packaging fees which are charged by the lenders for each successful application. These fees range from \$325–\$550. Additionally, your loan proceeds will be reduced by the SBA's guaranty fee. This one-time fee can range from \$0–\$850 for loans from \$5,000 to \$50,000. So it could cost you as much as \$1,400 to get a \$50,000 loan and that is before paying up to 4.75% in interest over prime for the life of the loan.

To learn more about this program, evaluate its fit for your business, and prepare for funding, read the book entitled *The Loan Solution: Nine Steps to Community Express* available at [www.CXLoan.com](http://www.CXLoan.com) or by calling toll free 1-877-295-6260. It is the most comprehensive resource available on the CX loan program, and helps you to evaluate whether any kind of loan is appropriate for your business.

*Tanya Brockett is a consultant, speaker, and author. Her company, Brockett Group LLC, provides entrepreneurial consulting, LLC formations, and business education from its client office in Crozet, VA and can be reached at 434-823-CASH (2274) and [www.BrockettGroup.com](http://www.BrockettGroup.com).*

*Angel groups typically have web sites, organize monthly screening sessions for entrepreneurs, and present appropriate companies to their greater membership on a monthly basis.*

## **Angel Investing**

(CONTINUED FROM PAGE 1)

The privacy requirements of individual angels has given rise to angel groups, which provide help and support to both entrepreneurs and investors, as well as anonymity to its membership.

Angel groups typically have web sites, organize monthly screening sessions for entrepreneurs, and present appropriate companies to their greater membership on a monthly basis. Angel groups require a business plan, an executive summary, and a PowerPoint presentation in order to screen. Chosen companies have 20 minutes to present, followed by a question and answer period. These groups prefer concepts that solve a problem or create a market opportunity, are highly scalable, with excellent management and a clear path for the group's exit from the investment.

Angel groups perform rigorous due diligence after determining sufficient membership interest. Unlike individual angel investors, an angel group's due diligence and subsequent investment is highly valued by other investors, many of whom will indicate interest in a project subject to an angel group investment. Leave yourself plenty of time since screening, meeting presentation, due diligence and funding can take up to 4 months.

The Virginia Active Angel Network (VAAN), which meets in Charlottesville, Blacksburg/Roanoke and Richmond from September through July thus far has invested in 8 projects, each investment ranging from \$50K to \$250K. VAAN currently has 24 members, is entering its third year as an angel group, and has made investments in Virginia, North Carolina, Washington, DC and Maryland. VAAN investments span all industries.

To find out more, or submit a plan, please go to [www.virginiaactiveangelnetwork.com](http://www.virginiaactiveangelnetwork.com) or call Letitia Green or Dick Crawford, founders and managing partners, at 434-409-3383.

## **Chairman's Corner**

(CONTINUED FROM PAGE 1)

for you. But the key, once again, is to know how much is needed and over what period of time. If you would like to meet with a SCORE counselor, please go to [www.score-494.org](http://www.score-494.org) and sign up for a counseling session. There is never a charge for this service.

## **PATRIOT EXPRESS**

They call it the Patriot Express. No it is not a high-speed train but one of the fastest ways for veteran entrepreneurs to get initial capital for starting or expanding a small business.

The new Patriot Express loan, offered by SBA's network of participating vendors, can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases.

Loans made by the Patriot Express can go up to \$500,000 to qualified veterans and members of the military. These loans are often approved quickly and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less, and up to 75 percent for loans over \$150,000 up to \$500,000. For loans above \$350,000 lenders will require some form of collateral.

### **More good news for veteran entrepreneurs!**

Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan.

To find out if you are eligible for a Patriot Express loan, contact your local SBA office or SBA's resource partner, SCORE in Charlottesville at 434-295-6712 or visit [www.SCORE-494.org](http://www.SCORE-494.org).

# RESOURCES

## *504 Loan Program*

[www.businessfinancegroup.org](http://www.businessfinancegroup.org).

## *An Audio Visual Presentation of Why a Cash Flow is Important*

<http://www.va-interactive.com/bankofamerica/resourcecenter/workshops/cashflow/>

## *Angel Investing*

[www.virginiaactiveangelnetwork.com](http://www.virginiaactiveangelnetwork.com)

## *Bank Loan Request*

[www.score.org/downloads/BankLoanRequestforSmallBusiness.doc](http://www.score.org/downloads/BankLoanRequestforSmallBusiness.doc)

## *Beginners Guide to Financial Statements*

[www.sec.gov/investor/pubs/begfinstmtguide.htm](http://www.sec.gov/investor/pubs/begfinstmtguide.htm)

## *Cash Flow Template*

[www.score.org/cgi/search.cgi?keys=cash+flow](http://www.score.org/cgi/search.cgi?keys=cash+flow)

## *How to Better Manage Your Cash Flow*

[www.entrepreneur.com/money/moneymanagement/managingcashflow/article66008.html](http://www.entrepreneur.com/money/moneymanagement/managingcashflow/article66008.html)

## *Small Business Administration*

<http://www.sba.gov/index.html>

## *Small Business Administration Community Express*

[www.sba.gov/services/financialassistance/7alenderprograms/comexpress/index.html](http://www.sba.gov/services/financialassistance/7alenderprograms/comexpress/index.html)

## *The Essentials of Cash Flow*

<http://www.investopedia.com/articles/01/110701.asp>

# UPCOMING EVENTS

## FEBRUARY

- TUE 02/13    BASICS OF STARTING YOUR BUSINESS (\*)  
CHAMBER OF COMMERCE NOON to 1 PM
- SAT 02/09    ADVERTISING AND PROMOTING YOUR BUSINESS  
LIBRARY(M) 9:30 AM M.Ludgate
- SAT 02/16    FINANCIAL MANAGEMENT OF YOUR BUSINESS  
LIBRARY(M) 9:30 AM J.Tonti

## MARCH

- SAT-SUN  
03/01-02    CENTRAL VIRGINIA FRANCHISING AND FINANCING EXPO  
GREATER RICHMOND CONVENTION CENTER  
RICK BRUNSMAN 407.310.4168
- SAT 03/08    STARTING YOUR BUSINESS  
LIBRARY(M) 9:30 AM T.Barton
- TUE 03/12    BASICS OF STARTING YOUR BUSINESS (\*)  
CHAMBER OF COMMERCE NOON to 1 PM

(\*) No fee seminar, No registration required