

Financing Information

When starting a business, one important consideration is where to obtain capital to back your venture. Most start-up businesses require a capital contribution by the entrepreneur, usually 20%. The remaining financing may be available from local banks or may require private investors. There are several Small Business Administration loan programs available to businesses, all of which require bank participation. These loan programs, however, are not guaranteed. They are all subject to change based on the SBA's current budget.

- **SBA Low Doc** This program provides financing for small businesses through guaranteeing a percentage of the bank's loans to the business. The maximum loan is \$150,000 and not more than an 80% guarantee. The loan is administered by the bank and is termed "Low Doc" because documentation has been greatly reduced and red tape is at a minimum. Eligible expenditures are for land and building, machinery and equipment, inventory, and working capital.
- **SBA Guaranteed Loan Program 7(A)** This program provides financing to small businesses through guaranteeing a percentage of the bank's loan to the business. Eligible expenditures are for land and building, machinery and equipment, working capital, and some restructure of existing debt. The maximum SBA will guarantee is \$750,000 and not more than 75% of the total loan.
- **SBA 504 Loan Program** This program provides financing for small businesses through a low interest, fixed rate, long-term loan. The Small Business Administration takes a second lien position behind the bank. Eligible expenditures are for land and building, long-life machinery and equipment. The minimum SBA will finance is \$125,000, and the maximum is \$1,000,000. Job creation is a requirement of the program.

While each of these programs has specific requirements for eligibility, there are certain standards that must be met for all loan programs. A loan applicant must be of good character, show the ability to operate small business successfully, and have a reasonable amount of his/her own resources to invest to withstand possible losses. In addition, the following will likely be required:

- Credit Report
- Collateral adequate to secure the debt, list of collateral and its value
- Appraisals required on real property used as collateral
- Personal guarantees required of those persons (or companies with 20% ownership)
- Secondary collateral may be required
- Personal financial statements and financial statements of business (if applicable)

How To Apply

You must first seek financing from a bank or other private source. If that is available at reasonable terms, the SBA cannot make the loan.

Take your business plan to your banker and discuss your financial requirements with him/her. His/her involvement is essential. Then, call the Small Business Development Center (Ron Simmons) at (770) 531-5681 to discuss the project's eligibility for SBA assistance.

SBA MicroLoan Program

Through this program any business with under \$5.0 million annual sales and less than 500 employees, and wholesales with fewer than 100 employees may be eligible. The funds can be used for working capital, purchase of inventory, supplies, furniture, fixtures, raw materials, and machinery and equipment. It cannot be used to buy a building or refinance debt.

Appalachian Community Enterprises, Inc.

1727 Turner's Corner Road
Cleveland GA 30528
(706) 348-6609
www.ace loans.org

Small Business Assistance Corporation

111 East Liberty Street, Suite 100
Savannah GA 31412-0950
(912) 232-4700
888-287-2137 (toll free)
www.sbacsav.com

International Trade

International trade can be difficult, but also can provide tremendous opportunities. Most start-up businesses will not be participating in international trade. However, if you choose to export or import goods, the following contacts may provide you with valuable information. The United States Export Assistance Center can provide you access to all federal exporting resources. Valdosta Technical Institute may also be of assistance with its Georgia International Trade Data Network. See the Resource Directory for contact information.

United States Export Assistance Center

Marquis Two Tower – 9th Floor
285 Peachtree Center Avenue NE
Atlanta GA 30303-1229
(404) 657-1961

Georgia Department of Economic Development

Region Two Office
2990 Landrum Education Drive
Building 500
Oakwood GA 30566
(770) 538-2756
www.georgia.org

University of Georgia

Center for International Trade & Security
Baldwin Hall
Athens GA 30602-1615
(706) 542-2985
www.uga.edu.cits

RESOURCE DIRECTORY

Franklin County

*	City of Canon	(706) 245-8155
*	City of Carnesville	(706) 384-3905
*	City of Franklin Springs	(706) 245-6957
*	City of Lavonia	(706) 356-8781
*	City of Royston	(706) 245-7232
*	Drugs Don't Work	(706) 384-4659
*	Georgia Department of Labor – Toccoa	(706) 282-4514
*	Georgia Tech Economic Dev. Office	(706) 542-8901
*	Franklin County Government Offices	(706) 384-2483
*	Small Business Development Center	(770) 531-5681
*	Franklin County Chamber of Commerce	(706) 384-4659
*	North Georgia Technical College	(706) 779-8100

OTHER RESOURCES

*	Better Business Bureau	(706) 549-9955
*	Georgia Secretary of State's Office	(404) 656-2881
*	Internal Revenue Service	(800) 829-1040
*	Minority Business Dev. Agency	(404) 730-3300
*	Small Business Administration	(404) 347-2441
*	Georgia Mountain Regional Dev. Ctr.	(770) 538-2626
*	US Department of Labor	(404) 347-3573
*	University of Georgia	(706) 865-2832

Glossary of Terms

Assets – Resources, owned or controlled by a company, that have future benefits. These benefits must be quantifiable in monetary terms.

Balance Sheet – A list of a company's assets, liabilities, and owner's equity at a particular point in time.

Break Even – The unit volume where total revenue equals total cost; there is neither profit or loss.

Capacity – The amount of goods or work that can be produced by a company given its level of equipment, labor and facilities.

Capital – The funds necessary to establish or operate a business.

Cash Flow – The movement of money into and out of a company; actual income received and actual payments made out.

Cash Flow Statement – A presentation of the cash inflows and outflows for a particular period of time. These flows are grouped into major categories of cash from operations, cash investing activities, and cash-financing activities.

Collateral – Assets pledged in return for loans.

Conventional Financing – Financing from established lenders, such as banks, rather than from investors, debt financing.

Debt Financing – Raising money for a business by borrowing, often in the form of bank loans. (See Conventional Financing above).

Debt Service – Money being paid out on a loan; the amount necessary to keep a loan from going into default.

Disbursements – Money paid out.

Equity – Shares of stock in a company; ownership interest in a company.

Expenses – Outflows of resources to generate revenues.

Fixed Costs – Those costs that are not responsive to changes in volume over the relevant range of time.

GDOL – Georgia Department of Labor.

Income Statement – A matching of a company's accomplishments (i.e, sales) with effort (expenses from operations) during a particular period of time. (Revenues – Expenses = Net Income)

Leasehold Improvements – The changes made to a rented store, office or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business.

Letter of Intent – A letter or other document by a customer indicating the customer's intention to buy from a company.

Liabilities – Commitments to payout assets (typically cash) to or render services for creditors.

Licensing – The granting or permission by one company to another to use its products, trademark, or name in a limited, particular manner.

Liquidity – The ability to turn assets into cash quickly and easily.

Market Share – The percentage of the total available customer base captured by a company.

Net Worth – The total ownership interest in a company, represented by the excess of the total amount of assets minus the total amount of liabilities.

Partnership – A legal relationship of two or more individuals to run a company.

Profit Margin – The amount of money earned after the cost of goods or all operating expenses are deducted; usually expressed in percentage terms.

Pro Forma Statements – A financial statements detailing management's predictions.

Receipts – Funds coming into the company; the actual money paid to the company for its products or services; not necessarily the same as a company's actual receipts.

SBA – Small Business Administration.

SBDC – Small Business Development Center.

Sole Proprietorship – Company owned and managed by one person.

Variable Costs – Those costs that are directly responsive to changes in enterprises.

Venture Capitalists – Individuals or firms who invest money in new enterprises.

Working Capital – The cash available to the company for the ongoing operations of the business.