Doing Business in Missouri …

Financing Your Business

Doing Business in Missouri…Financing Your Business is designed to provide information to new or existing business owners on how to obtain financial assistance in Missouri.

Contents:

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Financing Your Business

Many people dream of starting and managing their own business. What separates the successful entrepreneur from the unsuccessful is most often access to sufficient funds to turn the dream into reality. Learning where and how to obtain funds to start or expand your business can be confusing, time consuming and frustrating. Financing for a business usually comes in two forms: debt and equity. Debt is obtained from borrowing and must be repaid from cash flow. Equity is contributed by owners or outside investors and involves no direct obligation to repay any funds, but does involve selling a partial interest in your company.

In deciding what direction you will take to finance your business, you should consider the following questions:

- How does debt and equity requirements differ?
- What information about my business will I need to give to potential financiers?
- How much control am I willing to give up?
- How highly leveraged do I want my company to be?

The biggest advantage of debt financing is that it allows the business owner to retain control of his or her company. You have the ultimate decision making authority and are entitled to all company profits. Debt also provides you with some financial freedom as once the debt is repaid the lender has no further claim on your business.

Making monthly payments on a loan is the biggest disadvantage of debt financing. Interest rates may be high and there is normally a severe penalty for late or missed payments. Another disadvantage is that if you are starting a business it is difficult to obtain debt financing.

With equity financing the biggest advantage is that you do not have to repay the money invested by others on a regular basis (depending on the agreement that is made). Also, the equity investor may be more likely to listen to ideas on how to make improvements, since they have an interest in the success of the business.

Where to Find the Money You Need

It is important that you explore all of your funding options before you make a decision.

Personal Savings: Most new businesses are started with money from personal savings and other forms of personal equity.

Banks and Credit Unions: These are the most common sources of funding. They will provide you with a loan if you can show that your business is sound.

Friends and Relatives: Money from private sources may be loaned at no interest or low interest, which can be beneficial when getting started.

Venture Capital Firms: These firms provide start-up and other needed money for new companies in exchange for equity or part ownership.

Source: SBA, Focus on the Facts: How to Raise Money for a Small Business

The disadvantage of equity financing is that the owner has to give up some control of the business, and it may be difficult to retain control in the future. The paperwork can also be very complicated and will require the advice of an attorney and accountant.

It is imperative that you have a business plan before approaching any potential investor or lender.

Equity Financing

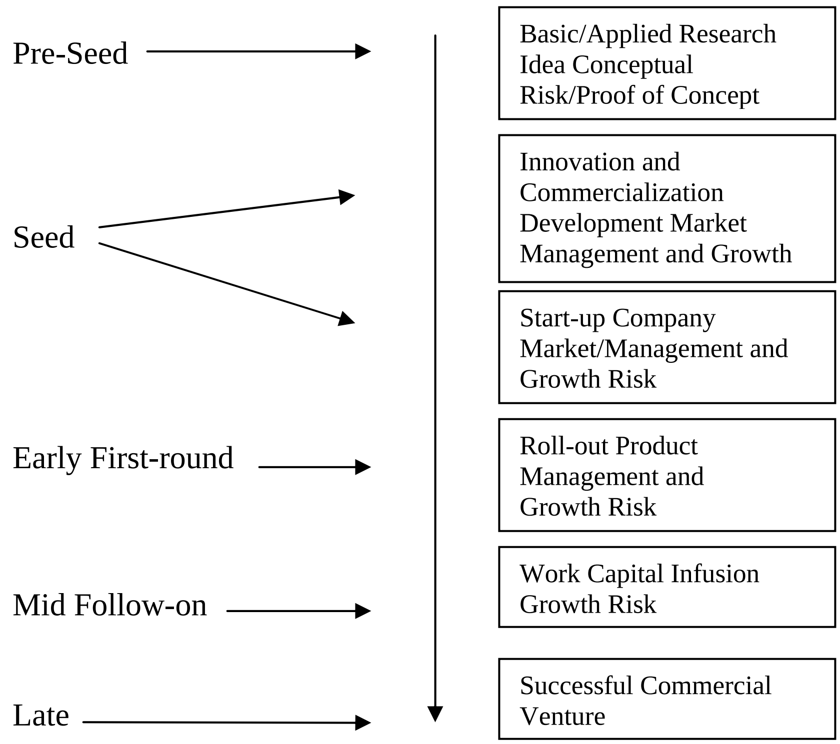
Venture Capital

Venture Capital is equity financing. Equity financing involves no direct obligation of the business to repay any funds; however, it does involve selling a partial interest of the business to the investor. Because the investor owns a share of the business, they are interested in the long-term success and future profitability of the business. Equity financing tends to be very complicated and will require the business to seek the advice and representation of an attorney and accountant.

There are approximately 2,000 venture capital firms in the United States. Venture capital is money provided by professionals who invest alongside management in young, rapidly growing companies that have the potential to develop into significant economic contributors. Professionally managed venture capital firms generally are private partnerships or closely-held corporations funded by private and public pension funds, endowment funds, foundations, corporations, wealthy individuals, and the venture capitalists themselves.

When considering an investment, venture capitalists are very selective and screen the technical and business merits of the proposed company. The venture capitalist will review several hundred-investment opportunities before investing in only a few selected companies that look to have a promising investment return. They are not passive financiers, but become very involved in the management, marketing and planning of the company. Venture capitalists normally invest in companies in which they are familiar with the industry or the management and they will normally invest in companies located in close proximity to the venture capital company.

There are many different stages of venture capital illustrated below:



Venture capitalists will help companies grow, but will seek to exit the investment in three to ten years. This exit can be accomplished in a variety of ways. First, the company can buy the venture capital investor out of their investment (this exit does not happen very often). The second type of exit is probably the most common type and it is a merger with another company or acquisition by a larger company. The Initial Public Offering (IPO) is the most glamorous type of exit. When a corporation needs to raise capital, they either issue debt securities (bonds) or by equity (selling stock). Anytime a corporation issues new stock it comes from 'Authorized But Not Yet Issued Stock.' If the corporation has sold stock before, this is known as a 'Primary Offering.' A company can have many Primary Offerings. If the corporation has never sold stock before it is known as an 'Initial Public Offering.' A company can only have one Initial Public Offering. State and Federal securities laws regulate this process and a company should seek the advice of an investment banker and/or attorney before starting this process.

Angel Investors

An "Angel" investor is an informal investor and private individual usually with a high net worth. They may have been entrepreneurs themselves at one time and they normally have an interest in helping new businesses start or expand. Angels have a tendency to be more relaxed with their financing terms than venture capital firms; however, you should still approach this with caution and seek professional counsel.

Angels normally do not advertise for investment opportunities, but will be referred through a lawyer, accountant or banker. When dealing with Angel investors, almost any type of debt or equity financing is possible and the deals can be structured in many different forms. Angels typically expect a specific rate of return on their investment. It is a good idea to retain the advice of a lawyer and/or accountant when working with an Angel investor. Angels are a great champion for innovative business opportunities.

Resources

There are many resources available to learn more about equity financing and the venture capital industry. Informative web sites include:

National Venture Capital Association at www.nvca.org
PricewaterhouseCoopers at www.pwcmoneytree.com
Thomson Financial at www.thomson.com/financial/financial.jsp
U.S. Securities and Exchange Commission at www.sec.gov
Missouri Secretary of State's Office at www.sos.mo.gov

Debt Financing

Debt financing is a loan or direct obligation to pay back to a lender what you borrowed. A lender will expect to be paid interest in exchange for lending you the money. The interest rate you will be charged is an important feature of debt financing and the rate usually reflects the level of risk the lender is willing to take by lending you the money. Lower interest rates reflect their feeling that there is a small risk of the debt not being repaid. If there are concerns by the lender of the ability of the borrower to repay debt, then a higher interest rate will be charged.

Most traditional lenders prefer manufacturing or industrial operations where funds will be used to purchase fixed assets, like land, buildings or production equipment. These items offer the type of collateral used to secure the debt. It will be difficult for a service type business to receive debt financing because there is little to no collateral. The lender may ask for a personal guarantee and that personal assets be pledged as collateral.

Most financial institutions are looking for a well-prepared business plan from the applicant when requesting financial assistance. Along with a business plan, your particular lending institution may have a special form or application that they require for new business loans. If an application is not necessary, be prepared to present a very thorough record. Be honest; show your commitment and willingness to meet their requests.

Keep in mind that the number of small business failures is high, causing the bank to show skepticism and consider risk. You must display ability to manage financially and be ready to show a positive record both for yourself and your proposal.

Roger Bel Air, author of *How to Borrow Money From a Banker* and national lecturer, reminds entrepreneurs that banks are in business to lend money and get it repaid – with interest. That's their number one priority.

Bel Air says that "A banker's career is based on not making mistakes and determining whether or not the bank will be repaid – the bottom line in any loan decision – is subjective. Beyond the facts and figures alone, banks want to see that the applicant has thoroughly reviewed his options, laid the necessary groundwork for borrowing, and prepared a clearly written and well organized loan application."

Another advantage of preparing an effectively organized loan application, including the all-important business plan, is that it will significantly decrease the time spent waiting for an answer. Much of the time spent in approving a loan can be traced to the banker having to ask the potential borrower for more information or for clarification of the information that has already been submitted.

In evaluating loan applications, the three C's of credit are taken into account – character, capacity and collateral:

1. Character. Character is actually a check on your financial status and personal credit history, including your previous loan payment record. The theory is that people are creatures of habit, if you have repaid a loan on time before, you will repay this one as well. Conversely, if you have defaulted on a previous loan, the danger is that you'll tend to default again.

Also considered is experience in the type of business you are trying to finance, including level of responsibility, education and business management training. Lenders are particularly concerned that potential borrowers have a solid understanding of financial record keeping, business credit, the importance of collecting accounts receivable, inventory control and turnover, and marketing their product or service.

If your prior business experience is not relevant to your current venture (for example, if your career has been in the corporate world, and you want to start a restaurant), banks will be leery about your ability to run the new endeavor successfully and thus repay the loan.

2. Capacity. Prudent bankers have always looked first to the cash flow of the business as the way the loan will be repaid, which underlines the importance of preparing a cash flow statement with future cash flow projections before presenting your loan request. Doing so indicates to the lender that you are knowledgeable about the cash coming into your business and being spent, and therefore better able to avoid a cash shortage that would jeopardize making monthly loan payments.

> In evaluating loan applications, three C's of credit are taken into account -- character, capacity and collateral.

3. Collateral. While cash flow is the primary source of loan repayment, lenders will want a back-up or secondary source as an "exit of last resort" should your business not prove profitable. Collateral – defined as "anything of value used as security for repayment of a debt or performance of a contract" – can be real estate, stocks and bonds, savings account passbooks, equipment, accounts receivable, or the cash value of life insurance policies.

Psychologically, lenders feel that borrowers have more interest in repaying the loan if they know that failure to do so will result in the lender taking possession of whatever has been put up for collateral. A lender will also try to obtain personal guarantees so that if you default on the loan, the institution has access to your personal assets.

One final tip is not to forget "relationship banking." Once a relationship has been established, and you've explained your business operations and anticipated needs, it becomes far easier to approach a banker when a loan is needed. This familiarity will make you more credible than a customer who has not taken the time to introduce himself. Scott McCrea, a consultant with Deloitte & Touche, advises entrepreneurs to develop and nurture a relationship once credit is granted. He suggests keeping the lender updated on the company's progress, and staying abreast of the lender's other products and services that may apply to your business. As the business grows, you may need to restructure or enhance your credit, and it only makes sense to turn to someone already familiar with, and confident in, your business acumen.

Be sure to stay close to your banker, being open and honest about major changes and significant events – both good and bad. Because your lending officer has to tell your story to other people in the organization, nothing can jinx the relationship faster than a lack of candor. Feeding bankers regular information is, of course, time consuming when you have a company to run. But it's all part of building credibility and trust, and will enable you to use your banker's knowledge to help ensure the continued success of your business.

Don't let a rejection at the bank stop your effort in obtaining financing. Consider all possibilities from government loans for small businesses to potential financing from suppliers, which you will likely patronize and always consider existing businessmen or private investors.

If all fails, friends or relatives may be the key to financial start-up; however, be cautious and document every single transaction. As is often said, "Friends and families seldom make good business partners."

Look for every way to prove success by searching for equipment, materials, or labor that can be provided at a reduced rate. Search for all sources that are available and don't ever lose sight of the dream that your business can and will succeed.

Private Sources

Commercial Banks

Your local bank should be the first place you approach for your business financing needs. Many banks have loan departments that deal specifically with small business and many banks are beginning to offer special services to small business owners. It is also important to remember that many alternative financing programs require a letter denial or partial funding from a bank before they will consider your application.

Local and Regional Sources

The following agencies provide a variety of funding options, generally tied to one or more of the following criteria: residence in delivery area, income level, type of business, etc. Most are "micro lenders", i.e., organizations that offer small loans. Also, many, if not most, require attendance at regular meetings and mandatory business education programs prior to applying for loans.

This list is in no way inclusive of all of the programs that operate in the state of Missouri; it serves only to provide a glimpse of the opportunities that exist on the local level and is not intended to be, nor should it be construed to be, an endorsement of any of these programs. The information provided is a summary of the program. Please contact the individual program for complete details on applicant criteria and the loan application process.

St. Louis City Metropolitan Area

St. Louis County Economic Council (314-615-7663)
Services include Business Development Fund (BDF), Metropolitan St. Louis Loan Program, Minority/ Disadvantaged Contractor Loan Guarantee, Recycling Market Development Loan Program, SBA 504 Loan Program and Minority & Women's Pre-qualified Loan Program.
www.slcec.com

St. Charles County Economic Development Council, St. Peters (636-441-6880)
Program assists eligible companies with fixed asset and working capital needs; acts as the certified development company which packages SBA 504 loans.
www.stcc-edc.com

St. Louis City Revolving Loan Fund (314-622-3400, ext. 383)
Provides direct, low interest, subordinated loans for working capital, machinery and equipment, purchasing land and buildings, renovation and constructing facilities and leasehold improvements. Business must be located in the City of St. Louis and be licensed to do business in the City. Must create one full-time job for every $10,000 of funds. Loans can provide up to 1/3 of the project cost to a maximum loan amount of $150,000.
stlouis.missouri.org/sldc/busdev/rlf.html

St. Louis Urban Enterprise Loan Fund (314-241-1143)
Provides loans to businesses located within a designated eligible area within the City of St. Louis. Eligible borrowers must be for profit businesses with current employment of less than 100. Eligible program activities will include fixed asset or working capital needs. Eligible projects must retain existing or create new jobs (one job created for every $20,000 of funding). The UEL can lend up to 50 percent of the project costs to a maximum loan amount of $100,000.
stlouis.missouri.org/sldc/busdev/uel.html

Microloan Program (314-622-3400, ext. 383)
Microloans are available to start-up companies or businesses less than one year old located within the City of St. Louis; one (1) job, other than the owner's, must be created Successful applicants must demonstrate a viable business plans and the inability to secure bank financing. Companies must show the ability to start or grow the business with a maximum loan amount of $25,000. Loans may be used to cover start-up costs, working capital and purchase of machinery and equipment.
stlouis.missouri.org/sldc/busdev/rmi.html

Kansas City Metropolitan Area

First Step Program, Kansas City (816-235-6116)
The First Step Fund (FSF) offers training in business basics such as record keeping, budgeting and marketing; assistance in completing a feasibility study for your business; opportunity to apply for loans of up to $2,500; and ongoing support group. FSF participants must be residents of Jackson, Clay or Platte counties in Missouri and must meet federal guidelines for low to moderate income. During a 10-week business training program, students work on a feasibility study for the proposed business. Potential borrowers receive continuing education at monthly meetings. Participants review each other's feasibility studies and approve loans. The maximum loan amount for first-time borrowers is $2,500 and $5,000 for second-time borrowers.

Kansas City Urban Enterprise Loan Fund, Douglass National Bank (913-321-7200)
Administered by Douglass National Bank. Fund is designed to assist with the creation, expansion and retention of small businesses located, or aspiring to locate, within a designated eligible area within the City of Kansas City. Eligible applicants include any Missouri resident with a for-profit business with gross annual revenues of less than $250,000 and less than 100 employees. Loan amounts can range from $10,000 to $100,000; matching funds are required as well as new job creation (minimum of one job per $20,000 borrowed).

Community Development Corporation of Kansas City, (816-924-6202)
Provides microloan business assistance to small businesses located in a five-county area; assists entrepreneurs whose credit needs are $25,000 and under.

Growth Opportunity Connection (816-235-6146)
Administers the Microloan Program, created by the Small Business Administration, for residents of Jackson, Clay, Platte and Cass counties. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders. Any Missouri small business owner is eligible for a microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a microloan. Borrowers may apply for loans ranging from $500 to $35,000.
www.goconnection.org

Out State Missouri

RMI (Resources for Missouri, Inc.) (573-635-0136 or toll free 1-800-234-4971)
Administers the Microloan Program, created by the Small Business Administration, in all Missouri counties with the exception of Kansas City. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders. Any Missouri small business owner is eligible for a microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a microloan. Borrowers may apply for loans ranging from $500 to $35,000.
www.rmiinc.org

State Sources

Recognizing the important impact that small businesses have on Missouri's economy, the State of Missouri, through a variety of agencies, has developed programs that provide financing options to small businesses. The following is a general description of some of the programs. Please contact the agency for more information.

Missouri First Linked Deposit for Small Businesses

The State Treasurer has reserved a portion of available linked deposit funds for small businesses. State funds are deposited with participating lending institutions at up to 3 percent below the one-year Treasury bill rate, with the lender passing on this interest savings to the small business borrower. A company must have less than 25 employees, be headquartered in Missouri, and be operating for profit. Small Business MISSOURI FIRST Linked Deposit loans are available for working capital. The maximum loan amount is $100,000.
Contact:
State Treasurer's Office
P.O. Box 210
Jefferson City, MO 65102-0210
Phone: (573) 751-2411
Fax: (573) 751-0343
www.treasurer.mo.gov

Missouri Export Finance Program

Working Capital Loan Guarantees
Missouri companies that need financial assistance exporting to foreign markets can use programs of the Export and Import Bank of the United States (Ex-Im Bank) and the Small Business Administration (SBA) through a joint project that provides local access for Missouri businesses. There are primarily two programs available, Working Capital Loan Guarantees and Export Credit Insurance. These programs are designed to help small and medium-sized businesses that have exporting potential but need funds or risk insurance to produce and market goods or services for export.

Eligible uses: The exporter may use the guaranteed financing to: purchase finished products, materials, services and labor; cover stand-by letters of credit, and bid and performance bonds; or to fund foreign marketing activities, if sufficient collateral and cash flow exist.

Export Credit Insurance
The state of Missouri offers assistance in obtaining export credit insurance through the Export/Import Bank of the US to take the risk out of selling to customers overseas. The Missouri program, which insures both commercial and political risks, guarantees an exporter that once his goods are shipped he will be paid. Insured receivables can enhance an exporter's ability to obtain export financing and allow an exporter to offer more attractive credit terms to foreign buyers.

All credit-worthy exporters (industrial and commercial) whose export credit sales have averaged less than $2 million annually for the past two years and have not been covered under any Foreign Credit Insurance Association policy during the previous two years are eligible under the Missouri program.

Contact:
Missouri Export Finance Program
P.O. Box 118
Jefferson City, MO 65102-0118
Phone: 1-888-690-4855

Market Development Loans for Recovered Materials

The Environmental Improvement and Energy Resources Authority funds activities that promote the development of markets for recovered materials. Loans of up to $50,000 are available to companies for equipment used in the production or manufacture of products made from recovered materials. After three years, if all contract obligations are met, the loan is forgiven and repayment is not required.

Contact:
Environmental Improvement and Energy Resources Authority
P.O. Box 744
Jefferson City, MO 65102
Phone: (573) 526-5555

Financial Aid for Beginning Farmers

Beginning farmers can receive federally tax-exempt loans from commercial lenders at rates 20 to 30 percent below conventional rates through this program. A qualified borrower can borrow up to $250,000 to buy agricultural land, farm buildings, farm equipment and breeding livestock in Missouri. The borrower must be a Missouri resident, at least 18 years old and whose chief occupation must be farming or ranching after the loan is closed. The borrower's net worth must not exceed $200,000, and he or she must have adequate working capital and experience in the type of farming operation for which the loan is sought. A beginning farmer is one who has not previously owned more than 30 percent of the medium-sized farm in their county.

For more information, contact:

Missouri Agricultural and Small
Business Development Authority
Beginning Farmer Program
P.O. Box 630
Jefferson City, MO 65102
Phone: (573) 751-2129
www.mda.mo.gov/Financial/begfarm.htm

Small Corporation Offering Registration (SCOR)

Missouri's Small Corporate Offering Registration (SCOR) provides a process for entrepreneurs to register their securities. The SCOR process has been designed by state securities regulators to make it easier and less expensive for small companies to raise needed capital from Missouri residents. All securities registered through this process need to complete form U-7 available from the Secretary of State's Office. For more information, contact:

Securities Division
Secretary of State's Office
P.O. Box 1276
Jefferson City, MO 65102
Phone: (573) 751-4136

Limited assistance and counseling on SCOR is available from:

Missouri Innovation Center - Columbia
Cornell Hall, Suite 306
University of Missouri
Columbia, MO 65211
Phone: (573) 884-0496

Federal Sources

Businesses that are locating or expanding in Missouri may take advantage of a number of federal programs designed to promote economic development. These programs are intended to assist entrepreneurs, financial institutions and local communities with direct loans, loan guarantees and direct grants to spur job-creating business investments. The following is a general description of some of the federal financing programs. For more information, please contact the agencies listed or the Missouri Department of Economic Development.

Small Business Administration

The Small Business Administration (SBA) helps new or growing businesses meet their financial needs; provides business counseling; and acts as an advocate for small businesses with state, federal, and private agencies.

SBA defines a small business as one which is independently owned and operated and is not dominant in its field. To be eligible for SBA loans and other assistance, a business must meet size standards based on total employment or annual receipts. This standard varies by industry.

The financial assistance offered by SBA has helped thousands of small businesses get started, expand and prosper. The Regular Small Business Loan program is the largest SBA assistance package. Through loan guarantees and direct and immediate participation loans, SBA can help small businesses acquire equipment, facilities, materials and supplies, and working capital.

For more information on the following SBA programs, contact:

Small Business Administration
1000 Walnut, Suite 500
Kansas City, Missouri 64106
Phone: (816) 426-4900
www.sba.gov/mo/kansas

Small Business Administration
200 North Broadway, Suite 1500
St. Louis, Missouri 63101
Phone: (314) 539-6600

www.sba.gov/mo/stlouis

Small Business Administration
830 East Primrose, Suite 101
Springfield, Missouri 65807
Phone: (417) 890-8501

Small Business Administration Answer Desk: (800) 827-5722

Or go to the U.S. SBA web site at: www.sba.gov

To find the U.S. Small Business Administration Certified Lenders (CLP) and Preferred Lenders (PLP) in your area, please visit: www.sba.gov/financing/basics/lenders.html

SBA Section 7(A) - Loan Guaranty

This is the SBA's primary business loan program. Under 7(a), the SBA guarantees loans to small businesses that cannot obtain financing on reasonable terms through other channels. This program generally is used to meet the varied short- and long-term needs of small businesses. Lenders, not the SBA, approve and service the loans and request SBA guaranties. The guaranties reduce risks to the lenders, expanding their ability to make small business loans. Guaranty

Loan proceeds from the 7(a) Program may be used for business start-ups, expansion, equipment purchases, working capital, inventory or real estate acquisition. Generally, the SBA can guarantee up to $1 million of a private-sector loan, as much as 85 percent on loans of $150,000 or less and 75 percent on loans of more than $150,000. The interest rate may not exceed 2.75 percent over the prime lending rate except for loans under $50,000, where the rates may be slightly higher. Maturities can extend to 10 years for working capital and 25 years for fixed assets.

There are a number of programs under the 7(a) Program that address specific needs:
SBA LowDoc Loan Program

LowDoc is for small business loans of $150,000 or less, features a one-page SBA application. If approved, SBA guarantees up to 85 percent of the loan. The applicant completes the front of a one-page SBA application; the lender completes the back. Lenders may require additional information from the applicant. For loans over $50,000, the applicant includes a copy of US Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years.

Personal financial statements are required for all guarantors. Eligible businesses include those whose average annual sales for the preceding three years did not exceed $5 Million, who employed 100 or less, including affiliates, and who satisfy other statutory criteria.

SBA CAPlines Program

The CAPline program has five distinct short-term working capital loan programs including: Short-term & RLC's, Seasonal, Contract, Builders, and Standard Asset-Based Line. It finances seasonal working capital needs; costs to perform construction costs; advance against existing inventory and receivable; consolidation of short-term debts to existing businesses. Its total loan amount except small asset-based to the maximum of $750,000 with a guarantee or 75 percent, whichever is less, up to 5 years. Same as the 7(a) except the Standard-Asset Based: no fee restriction, but fee disclosure to SBA is required. For Small Asset-based, the maximum guarantee amount is $200,000.

The primary collateral will either be the current assets acquired with the loan proceeds or the current assets serving as a base for disbursement. Personal guarantees will also be required from the principal owners of the business.

SBA Fastrack Program

Fastrack allows participating lenders to use their own documentation and procedures and to apply an SBA guarantee to a loan without prior review by the SBA. In return for this flexibility, participating lenders agree to limit the maximum loan to $100,000 and to accept a maximum guarantee of 50 percent.

The normal guarantee percentage on loans under $100,000 is 90 percent. The lower 50 percent guarantee will allow the SBA to approve more loans at a lower cost to the government and use SBA leverage to attract even more private capitol to small businesses. This will give selected lenders the authority to approve, service and liquidate loans up to $100,000. These lenders would use their own application package, loan documentation, servicing documentation, and liquidation procedures. The borrower's interest rate must be within the existing SBA maximum rate.

This is a pilot program through 18 lenders. Same as the 7(a), limitations on real estate and construction may be used for term loans or revolving credits of not more than 5 years.

Export Working Capital Program (EWCP)

The EWCP provides short-term financing to small businesses for export-related transactions. Proceeds from the export sales are the primary source of repayment. Under the EWCP, the SBA guarantees up to 75 percent of a secured loan (80 percent on loans of $100,000 or less) or $750,000, whichever is less. Typically, maturities match a single transaction cycled with a term of up to 18 months or support a line of credit with a term of up to 12 months.

International Trade Loan (ITL)

This program provides short- and long-term financing to small businesses involved in exporting, as well as businesses adversely affected by import competition. The SBA can guarantee up to $1.25 million for a combination of fixed-asset financing and permanent working capital.

Minority Enterprise Development

8(a) Small Disadvantaged Business Development
The MED office utilizes the SBA's Section 8(a) contracting authority to provide business development assistance to minority- and other disadvantaged-owned firms through federal procurement opportunities.

7(J) Management and Technical Assistance
The 7(J) Program provides management and technical training to 8(a) and other firms owned by socially and economically disadvantaged individuals, low-income individuals, and firms in either labor-surplus areas or areas with a high proportion of low-income individuals. Assistance is concentrated in four major areas: accounting, marketing, proposal/bid preparation, and industry-specific technical assistance. Entrepreneurial training is also available.

SBA Seasonal Line of Credit Program

The "Seasonal Line of Credit" is a short-term loan available under SBA's guarantee program to finance an increase in the trading assets (receivables and inventory) of eligible small businesses arising from a seasonal upswing in business.

In addition to SBA's size and eligibility requirements, the small business must have been in operation for the last twelve calendar months preceding the date of application and must have established a definite pattern of seasonal activity.

SBA may guarantee up to $750,000 or 85 percent of the loan, whichever is less. The maximum guarantee for loans up to $155,000 is 90 percent. The amount of the loan is determined by the increased working capital needs created by the seasonal upswing in business.

The duration of the seasonal line runs from the date of first disbursement and *cannot exceed twelve months*.

Only one seasonal line of credit may be outstanding at any one time and each loan must be followed by an out-of-debt period of at least thirty days. These restrictions do not apply to agricultural enterprises.

SBA's collateral position primarily will consist of liens on all accounts receivable and inventory. Additional collateral, including the pledge of outside assets and personal guarantees, also may be required.

SBA Section 504 - Certified Development Company Loans

SBA's Certified Development Company (CDC) program was created as a cooperative effort between the federal government and the private sector to provide financing to small businesses for the acquisition of land and buildings, construction, expansion or renovation, and purchase of equipment.

State or local development companies certified by the SBA participate in financing with a private lender. CDC financing typically is structured whereby the CDC lends 40percent of the total project amount (up to $750,000), a private lender provides 50percent, and the borrower provides the remaining 10percent. The borrower receives the advantages of long-term financing, a low down payment, and low interest rates. The private lender receives a 50percent loan-to-value ratio with first mortgage or security interest, and the added advantage of minimal paper work and exposure.

The Certified Development Companies in Missouri are:

Territory Authorized	CDC	Phone
Andrew, Buchanan, Clinton, DeKalb counties	Mo-Kan Development, Inc. 1302 Faraon Street St. Joseph, Missouri 64501	(816) 233-8485
Audrain, Boone, Callaway, Cole, Cooper, Montgomery, Randolph counties	Enterprise Development Corporation 910 East Broadway, Suite A Columbia, Missouri 65201	(573) 875-8117
Caldwell, Daviess, Grundy, Harrison, Linn, Livingston, Mercer, Putnam, Sullivan counties	Green Hills Rural Development, Inc. 1104 Main Street Trenton, Missouri 64683	(660) 359-5636
Crawford, Gasconade, Maries, Phelps, Washington counties	Meramec Development Corp. #4 Industrial Drive St. James, Missouri 65559	(573) 265-2993

Camden, Dent, Laclede, Miller, Morgan, Pulaski counties	Central Ozarks Development, Inc. 115 W. Highway 54 Camdenton, Missouri 65020	(573) 346-5692
Clay & Platte County	Clay/Platte Development Corporation 110 NW Barry Road, Suite 210 Kansas City, Missouri 64155-9985	(816) 468-4989
Franklin, Lincoln, St. Charles, Warren counties	St. Charles County Economic Development Corp. 5988 Mid Rivers Mall Drive, Suite 100 St. Charles, Missouri 63304-7195	(636) 441-6880
Jefferson County	The Economic Development Corp of Jefferson County P.O. Box 623, 725 Maple St Hillsboro, Missouri 63050	(636) 797-5336
Kansas City	Economic Development Corporation of Kansas City 1100 Walnut, Suite 1700 Kansas City, Missouri 64106	(816) 221-0636
St. Louis City	The St. Louis City Development Corporation 330 N. 15th St. St. Louis, Missouri 63103	(314) 622-3400
St. Louis County	St. Louis County Economic Council Business Finance Division 121 S. Meramec, Suite 900 St. Louis, MO 63105	(314) 615-7667
Statewide	RMI (Resources for Missouri, Inc.) 1014 Northeast Drive Jefferson City, Missouri 65109-2504	(573) 635-0136

SBA 7(m) Microloan Program
The Microloan Program was created by the Small Business Administration as the federal government’s first program to target small loans to small businesses and entrepreneurs. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders.

Any Missouri small business owner is eligible for a Microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a Microloan. Borrowers may apply for loans ranging from $500 to $35,000.

Two organizations process loans in Missouri. For more information contact:

Growth Opportunity Connection
(residents in Jackson, Clay, Platte, and Cass Counties only)
4747 Troost Avenue
Kansas City, Missouri, 64110
(816) 235-6146
www.goconnection.org

Resources for Missouri, Inc. (RMI) (all of Missouri except for above four counties)
1014 Northeast Drive
Jefferson City, Missouri 65109
Phone: (573) 635-0136 or toll free (800) 234-4971
www.rmiinc.org

USDA - Rural Development

The US Department of Agriculture can make assistance available for development through the USDA-Rural Development Program (formerly known as Farmers Home Administration). This assistance has been in the form of grants, loans, and loan guarantees. Currently available are the Business and Industry Loan program, aimed at encouraging development in rural areas in order to create or preserve employment opportunities there, and the Community Programs Guaranteed Loans, for providing essential community facilities in rural areas. New development, or expansion of commercial or industrial ventures may be financed. Loans may not be made in cities or towns with populations of 50,000 or more, and priority is given to projects in areas of 25,000 or less.

For information on this and other business development-related programs, contact:

USDA-Rural Development
601 Business Loop 70 West
Parkade Center, Suite 235
Columbia, Missouri 65203
Phone: (573) 876-0995
www.rurdev.usda.gov/mo

USDA Rural Development Farmer Loan Program

The state's Beginning Farmer Program and Missouri First Linked Deposit Program can be used in conjunction with the USDA-Rural Development down payment loan program for reduced-interest loans to first-time farmers.

Eligible borrowers must provide a cash down payment of ten percent of the purchase price. The program can loan 30 percent of the purchase price or appraised value leaving 60 percent to be financed. Those financing the remaining 60 percent through a commercial lender, and who are eligible for participation in the Missouri Department of Agriculture's Beginning Farmer Loan Program may receive blended interest rates well below conventional rates. For more information contact the county office of the USDA Rural Development (formerly Farmers Home Administration).

Or contact:

Farm Service Agency
601 Business Loop 70 West
Parkade Center, Suite 250
Columbia, Missouri 65203
Phone: (573) 876-0926
www.rurdev.usda.gov/mo

Rural Missouri, Inc.-Intermediary Relending Program (IRP)

Resources for Missouri, Inc., (RMI) is approved by the USDA-Rural Development to offer financing to Missouri's small businesses. The Intermediary Relending Program (IRP) may be used to finance fixed assets or working capital up to $150,000 or 75 percent of the total project cost, whichever is less. The funds cannot be used for refinancing. The interest rate is the prime rate, but not less than 7.5 percent, and the term is flexible. Businesses must be located in non-metro areas of under 25,000 population. Financing is not available for hotels, recreation and amusement facilities and agricultural production except: commercial nurseries, forestry, livestock and poultry processing, growing of mushrooms and hydroponics.

For more information contact:

RMI
1014 Northeast Drive
Jefferson City, MO 65109
Phone: (573) 635-0136 or Toll Free: (800) 234-4971
www.rmiinc.org

Rural Missouri, Inc.- Small Business Investment Fund (SBIF)

Resources for Missouri Incorporated (RMI) administers an investment fund available to rural small businesses. Funds are available for "gap" financing up to $25,000 where the project involves a bank or other lending institution and owner investment. Funding may be provided through short-term loans for purchase of debentures or equity investment. Terms and collateral are flexible, and the interest is tied to "prime." In addition to normal requirements, the business must agree to hire at least one qualified farmworker applicant for each $5,000 of RMI investment.
For more information contact:

RMI
1014 Northeast Drive
Jefferson City, MO 65109
Phone: (573) 635-0136 or Toll Free: (800) 234-4971
www.rmiinc.org

Some Final Thoughts

Finding the money you need to start or expand your business requires hard work and determination. It may be the largest obstacle you face, but don't despair—it is available—it's just knowing where to look. You may be turned down several times for financing, so perseverance makes all of the difference. Remember, it is okay for you to consider a variety of financing alternatives and more than likely you will need to use a combination of sources to adequately fulfill your changing needs for capital. Do your research and find out as much information as you can about each source. If you have a good idea you will receive the financing you need.