U. S. Small Business Administration

Mississippi District Office
Regions Plaza
210 E. Capitol Street
Suite 900
Jackson, MS 39201
(601) 965-4378
WWW.SBA.GOV/MS

SBA Mississippi Magnolia News

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Did You Know...

- Over the past decade, small businesses created 60 to 80 percent of the net new jobs?
- Small businesses employ about half of the United States workers?
- Small businesses generate more than 52% of the nation's gross domestic product?

Helping small businesses start, grow and succeed.

Your Small Business Resource

New SBA Online Resource Available for Small Businesses

Entrepreneurs can take advantage of new, free online training and other resources offered by the U.S. Small Business Administration to assist them during this period of economic recovery.

The SBA offers a variety of online courses to assist small businesses in more effectively managing their firms in the current economy. The new course topics, available directly at www.sba.gov/services/training/onlinecourses, include revising business plans to reposition with current conditions, winning customers in a slowing economy, restructuring existing debt, and diversifying your customer base with federal contracts.

The most recently added course is "Downshifting in a Slowing Economy: A Business Planning Guide." This course is designed to help business owners reorganize and streamline their business strategies. Other related business tools include a new automated business plan template, and an assessment and strategies guide for surviving in a slowing economy.

"The SBA is helping small businesses with the resources and tools they need in the current business cycle," said Jeff Andrade, Associate Administrator for Entrepreneurial Development. "In addition, SBA offers a variety of resources and referrals to small businesses uncertain about what to do in the current economy on its Web page on Economic Recovery at www.sba.gov/helpingmainstreet."

Each free course is self-paced, and provides practical guidance on how to stay on top of economic conditions. These and other courses can be accessed from the SBA's Web site at www.sba.gov/training. To access them, click on "Free Online Courses," then make a selection under the header "Surviving in a Down Economy."

The SBA can also help to find local agency offices and lenders. Business owners can: talk with an SBA representative about financing options and identify local, participating SBA lenders; learn about SBA's Loan Guaranty Program using an electronic guide with audio and many targeted links; and train with expert counseling and mentoring services by talking with an SBA representative or resource partner about management assistance.

Small Businesses Key to Recovery

Mississippi's economic recovery will depend on small business. That message is driven home in the newly updated Mississippi Small Business Profile released by the Office of Advocacy of the U.S. Small Business Administration. The most recent data show that the state has 46,437 small employers, and they employ 96.7 percent of the state's workforce. Not only does the state's economy depend on the health of its small businesses, so too does the economy of the United States. The U.S. has slightly more than six million small employers, or 99.7 percent of all employer firms, and they provide 50.4 percent of its private sector employment. These firms created 78.9 percent of the nation's net new jobs from 2004 to 2005, and they generated more than half of the private non-farm gross domestic product. For more information and a complete copy of state and territory small business profiles, visit www.sba.gov/advo.

Small Businesses Are America's Innovators

Patents Per Employee Outstrip Those Of Larger Firms

Small businesses are the innovators of the American economy as they obtain many more patents per employee than larger firms, according to a study released by the Office of Advocacy of the SBA . Moreover, their patents outperform larger firms on a number of measurements, suggesting that small firm patents in general are more likely to be technologically important than those of larger firms.

"This report adds more weight to the evidence we already have that encouraging small firms is the best way to increase innovation, productivity, and jobs", said Dr. Chad Moutray, Chief Economist for the Office of Advocacy.

The report analyzes a database of 1,293 small and large technology firms and more than 1 million patent records between 2002 and 2006.

Not only do all small firms (<500 employees) obtain more patents per employee than larger firms, but the relationship seems to hold for all size classes. That is, firms with fewer than 25 employees have a higher patent per employee ratio than those with fewer than 50 employees and so on.

The authors found that during the period studied, small firms made up 40 percent of all firms with 15 or more patents. They also found that the smaller patenting firms are younger, with 56.5 percent under 15 years old, while 90 percent of the larger firms were 15 or more years old.

The Office of Advocacy, the "small business watchdog" of the federal government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President.

For more information, visit www.sba.gov/advo.

More Mississippi SBA loans approved in the first quarter of FY 2009, based on percentage, were made to Minorities, Asians and Women compared to total loans made in FY08.

IRS Disaster Assistance and Emergency Relief For Individuals and Businesses

Special tax law provisions may help taxpayers and businesses recover financially from the impact of a disaster, especially when the president declares their location to be a major disaster area. Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes. Both individuals and businesses in a presidentially declared disaster area can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, usually by filing an amended return. CTRL+ Click Publication 2194B, Disaster Losses Kit for Business to help businesses claim casualty losses on property that has been destroyed by a natural disaster. The kit contains tax forms needed to claim a casualty loss.

Show Me the Money

Through the first quarter of FY09 (October 1, 2008 — December 31, 2008) the Mississippi SBA office approved 116 loans to Mississippi small businesses totaling $24,668,322 . More loans, by percentage, were made to Minorities, Asians and Women compared to FY08 total loans. Loans made to minorities in the first quarter of FY09 accounted for 30% of the loan volume compared to 26% total in FY08. Percent of loans to Asians and Women represented 26% and 25% respectively compared to 21% and 14% total in FY08. See first quarter loans (by lender) at http://www.sba.gov/idc/groups/public/documents/ms_jackson/ms_msloans-1qtr08.pdf. SBA conducts a free SBA Loan Clinic for those interested in starting or growing their business. Register online at http://www.sba.gov/idc/groups/public/documents/ms_jackson/ms_spot_onlineregistration.html to attend the event near you.

Starting a Business in Turbulent Times

By Janita R. Stewart , Mississippi SBA District Director

Creating a start-up business during turbulent economic times can be a challenging task. But business ownership can be immensely rewarding, and with good business practices, the chances of success can be good. Research by the SBA shows that nearly three-quarters of all new businesses (with or without employees) survive two years or more, approximately half survive four years or more, and about 40% survive six years or more. Especially in times like these, people thinking about starting a business should understand the reasons why small businesses fail, and may want to consider creative alternatives to becoming a small business owner.

Top five reasons why start-up businesses fail:

1. Insufficient capital (money). Start-up businesses with $50,000 or more in initial capital have a much better chance of keeping their doors open. You will have to pay vendors, employees, utilities, rent, and a wide variety of other expenses. Plan on having a minimum of six months cash available to keep the business operating.

2. Lack of management experience. Many new entrepreneurs have the passion to start a company, but lack the day-to-day management skills to run a business. You may love to ski, and think you want to run a ski supply company. In addition to having a passion for skiing, you need to prepare yourself for the business aspects of starting a company too. Those include: understanding cash flows, marketing, and who your customers are.

3. Poor business location. If customers cannot readily find your business location, they won't buy your products and services.

4. Poor inventory management. Too much inventory will kill your cash flow. This is an issue many new businesses have, and many owners have no clue how to manage it.

5. Lack of initial planning. This includes the misuse of personal assets to fund the business, how to handle unexpected sales growth, poor sales in the first 90 days of business, understaffing, and unreliable vendors. That is why our mantra is "business plan, business plan, business plan."

(Cont. page 4)

Starting a Business? To determine what business is "right for you", ask yourself:

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

SBA Lender Training Available

Judi Adcock, Manager of the Gulfport Branch Office, held a recent training session for Hancock Bank lenders. This training, available to management and commercial loan officers within a lending institution, provides specific information on the various SBA loan programs. Lenders seeking training regarding any SBA loan product should contact SBA's District Office in Jackson at (601) 965-4378, Gulfport Branch Office at (228) 863-4449, or register online at http://www.sba.gov/idc/groups/public/documents/ms_jackson/ms_spot_onlineregistration.html.

Free Counseling Available through SBA Resource Partners

Women's Business Center — The Crudup-Ward Activity Center (CWAC) located in Forest, MS and the Mississippi Action for Community Education, Inc. (MACE) located in Greenville, MS provide one-on-one business and financial counseling and technical assistance for women, and others, seeking to start a new business or improve their existing business. Call CWAC at (601) 469-3357 or MACE at (662) 335-3523 for more information.

SBDC — The Mississippi Small Business Development Centers provide a variety of business services to startups and existing businesses statewide including counseling, workshops and information services. Call 1-800-725-7232 or go online at www.mssbdc.org to find the SBDC office nearest to you. Also, visit www.sba.gov/ms and click on the 'Events Calendar' on the right of the website to find a workshop near you.

SCORE — The Service Corps of Retired Executives, is America's premier source of free & confidential small business advice for entrepreneurs. SCORE has helped more than seven million small businesses. Visit their website at www.scoregulfport.org or call 228) 863-0054 for information.

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Regions Plaza
210 E. Capitol Street, Suite 900
Jackson, MS 39201
(601) 965-4378

One Hancock Plaza
2510 14th Street, Suite 103
Gulfport, MS 39501
(228) 863-4449

Website: WWW.SBA.GOV/MS

The U.S. Small Business Administration (SBA) was created on July 30, 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. We recognize that small business is critical to our economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Since its founding , the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses. Although SBA has grown over the years, the bottom line mission remains the same. The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U. S. Virgin Islands and Guam.

Starting a Business in Turbulent Times

(Cont. from page 3)

Five Creative Ways to Start a New Business:

1. Purchase an undervalued existing business. During turbulent economic times, many owners may be forced to sell their businesses for various reasons. This creates an opportunity for people with capital to purchase an existing business on more reasonable terms than they would have paid a year ago. Other advantages for buying an existing business include:

- Established businesses are "ready for business" on day one
- Business assets and equipment may already be in place.
- Established client base. People are already aware that the business exists.
- Lenders will more likely provide financing to existing businesses.
- Trained experienced employees and staff are in place.

2. Exchange salary for equity position in business. Most existing businesses are hungry to hire experienced, driven and innovative employees. Cash-strapped businesses that are growing, but need new talent, may be willing to exchange an equity or stock position in the company in lieu of a traditional salary and/or benefits package. This new equity position could eventually provide an employee with an ownership opportunity in the company. Consider working part-time at a new start-up business, while maintaining your regular job, in order to learn the business and eventually make an offer to purchase the firm at a future time.

3. Virtual office is the wave of the future. There are many creative alternatives to the traditional office or retail space. The Internet is a great way to market, promote and distribute your products and services. Working from home, and utilizing "shared office services", are other ways to create a virtual office space. Additionally, virtual offices may significantly reduce the cost of your start-up.

4. Establish alternative and innovative means to obtain capital. An under-capitalized business start-up is a losing proposition. This is especially true during the current economic times. Obtain capital by bolstering your personal savings in advance of starting your business. Friends and family financing is always an option. Friends and family may provide their money in exchange for a stock or equity position in your company. Or, start your business very slowly, and use the cash flow to build up over time, without taking on any equity or debt. The less debt you incur today, the better prepared you will be when the economy improves.

5. Leverage outside counseling before starting your new business. Now is the time to make an appointment with one of the SBA's many resource partners – including SCORE and the SBDC . We can help you develop a well-defined and comprehensive business plan, realistic financial statements, and an extensive marketing strategy. Studies have shown that entrepreneurs who put a minimum of one year of planning into their new business have a better chance of succeeding in their new ventures.

Helping small businesses start, grow and succeed.

SBA

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