



SANTA ANA DISTRICT NEWSLETTER

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November 2010

SBA Officials Visit Santa Ana District & Participate in NAGGL Conference

Story by Doug Dare, Business Development Specialist

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During the last week of October, the Santa Ana District Office played host to three of SBA's top officials: including Deputy Administrator Marie Johns, Associate Administrator of Field Operations Jess Knox, and Regional Administrator Elizabeth Echols. All three were in town to participate as speakers and presenters at the National Association of Government Guaranteed Lenders (NAGGL) Annual Conference, though they also took advantage of their presence in our district by participating in other activities such as visits with SBA loan recipients, government contracting stakeholders, and a community roundtable discussion regarding SBA's efforts to reach underserved markets.

NAGGL is an organization composed of lenders that are active in the SBA 7(a) loan program and other government guaranteed loan programs. Each year, their members gather to discuss legislative news, reports on agency initiatives, updates on secondary market items, policy changes, lender oversight and also take advantage of numerous training opportunities. Representatives from approximately 400 member institutions attended the annual conference, which was held at Disneyland Hotel this year.

Deputy Administrator Johns spoke at the opening to the general session on Thursday and in particular highlighted her background as the granddaughter of a small business owner, whose successes allowed their family to attend college; the recently-approved Jobs Act; and how the Small Business Administration is currently in a stage of transition. At the roundtable, she spoke about her involvement with the Interagency Task Force on Veterans Business Development, and the Community Express loan program, which was a pilot loan program that is set to expire soon.

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Deputy Administrator Johns, Associate Administrator Knox and Regional Administrator Echols enjoy a lively discussion with small business stakeholders regarding SBA's efforts to reach underserved markets

All three officials made a visit to Knowlwood's Restaurant in Irvine, owned by Dr. Thanh Nguyen, the California Small Business Person of the Year in 2008 and SBA loan recipient. While there, Mrs. Johns spoke with reporters from the Los Angeles Times and the Orange County Register and spoke about some of the initial successes of the Jobs Act, including the funding of 5,000 loans nationwide amounting to \$2 billion in capital for small business owners. Dr. Nguyen remarked, "If it wasn't for SBA loans, I wouldn't be where I am today."



From L to R: Marie Johns, Jenna Nguyen, Tana Everhart (Nguyen), Ginger Nguyen, Thanh Nyugen, and Elizabeth Echols

Mrs. Echols' responsibilities include managing the 12 district offices in Region IX, which includes all of California, Nevada, Arizona, Hawaii, and Guam. This trip marked her second visit to the Santa Ana District Office since assuming office in June. Her address at NAGGL focused on the initial successes of the Small Business Jobs Act and how NAGGL and the SBA can continue to work together and address the credit needs of small businesses in Region IX.

Jess Knox, who oversees the operations of 10 Regions, 68 Field Offices, 14 Branch Offices and 26 Alternate Work Sites, spoke at the conference as well. His remarks at NAGGL addressed some of the more technical problems faced by SBA lenders, such as 912 reporting, and simplification of our programs in general. Jess Knox and Elizabeth Echols also made a visit to Shamrock Supply, another SBA loan recipient, with lender Robert Dodge of Southland EDC. Shamrock Supply currently employs around 85 individuals.

The three officials also made time in their busy schedules to meet with staff to discuss issues such as district office goals & metrics, personnel evaluations, and changes to some of SBA's key capital access, government contracting, and business counseling programs.

The Santa Ana District Office would like to thank Mrs. Johns, Mr. Knox, and Mrs. Echols for taking the time to visit our district, meet with staff, and participate in some of our activities. We hope to see them all again sometime soon.

Small Business Jobs Act Implementation Update

By Doug Dare, Business Development Specialist

The [Small Business Jobs Act](#), signed by President Obama on September 27th, provides critical resources to help small businesses continue to drive economic recovery and create jobs. The new law extends the successful SBA Recovery loans while offering billions more in lending support and tax breaks for entrepreneurs and small business owners.

Within the first week of the signing of the Jobs Act, SBA approved all of the loans that had been placed in a queue after the authority for higher guarantees and previous Recovery loan funding was exhausted on May 27th. The approvals, completed on Monday, October 8th, represented 1,939 loans for nearly \$970 million in lending supported nationwide in the first week alone. As of October 29th, \$75,627,250 in lending through 131 loans in the Santa Ana District have been supported since the passage of the Small Business Jobs Act.

Immediately after clearing the loans in the queue, SBA finished implementation of another major element of the bill: increasing maximum sizes in several loan programs. The changes, effective October 8th, are permanent for general small business loans under SBA's 7(a) guaranteed loan program, fixed asset loans through the 504 Certified Development Company program, Microloans, and International Trade, Export Working Capital, and Export Express loans. Under the Jobs Act provisions, SBA increased 7(a) and 504 loans from \$2 million to \$5 million, International Trade and Export Working Capital loans were increased from \$2 million to \$5 million as well, and microloans were increased from \$35,000 to \$50,000. The temporary one year increase on SBA Express loans is from \$350,000 to \$1 million, which will allow more small businesses to take advantage of the streamlined approval process for working lines of credit and other capital.

SBA's own trends show increasing demand for larger loans. The percentage of lending volume for guaranteed loans greater than \$1.5 million has grown, from 13 percent of total dollars in FY05 to 21% in FY10, with many loans at the previous limit of \$2 million. A similar trend is apparent in the 504 program as well.

In order for many businesses to utilize these higher loan sizes, an alternate size standard had to be established. The alternate size standard increased to cover small businesses with less than \$15 million in net worth and \$5 million in average net income.

Within the coming months, SBA is expected to provide guidelines to allow some small businesses to refinance their owner-occupied commercial real estate mortgages into the [504 loan program](#), to take advantage of lower interest rates and extended terms. This provision is set to expire on September 27th, 2012.

Another provision of the Jobs Act that will be forthcoming establishes a new pilot lending program aimed at bridging the gap between [microloans](#) and [7\(a\) loans](#). The law provides funding for up to \$20 million per year in small business loans over the next three years targeting small businesses that need loans of up to \$200,000.

Aside from SBA's capital access programs, the Jobs Act also made important changes to government contracting programs and small business exporting. The law reaffirmed "parity" among small business contracting programs such as [HUBZone](#), [8\(a\)](#), [Women-Owned Small Business](#), and [Service-Disabled Veteran-Owned Small Business](#). A previous interpretation gave priority to firms certified in the HUBZone program.

Beyond SBA, our partners at the Department of the Treasury are working to increase small business lending. The new law established a Small Business Lending Fund, which will provide \$30 billion in capital for smaller community banks. Essentially, it provides them with low-cost capital if they go above and beyond their 2009 small business lending levels.

Tax breaks amounting to nearly \$12 billion dollars have also been enacted as part of this legislation. These include a small business expensing limit of \$500,000 (the highest ever), carry-back provisions on net operating losses of up to 5 years, accelerated/bonus depreciation, zero capital gains tax for those who invest in small businesses, increased deductions for start-ups, deductions for employer-provided cell phones, deductions for health insurance costs for the self-employed, and limitations on penalties for errors in tax reporting that disproportionately affect small businesses.

The resources in this new law build upon the successes of SBA's earlier efforts and are aimed at helping America's small businesses do what they do best - grow and create good jobs. The Santa Ana District Office will continue to keep you posted as the remaining elements are implemented.

Third Annual Faith-based Small Business Summit Recap

Story by Doug Dare, Business Development Specialist

The Third Annual Faith Based Small Business Summit, held October 14th in Ontario, was attended by roughly 200 individuals, representing a broad mix of faith- and community-based organizations, businesses, and non-profits. Participants of the event had the opportunity to attend workshops, listen to remarks and speeches by local, regional, and national officials, view exhibits in the vendor expo, network, and speak with lending officers at a loan fair. The Master of Ceremonies for the event was SBA's Associate Administrator of the Office of Faith-Based and Community Partnerships, Gerard "Jerry" Flavin.



Dr. Lula Ballton addresses a captive audience

Highlights include: welcome remarks by Josie Gonzales, County of San Bernardino Supervisor; a keynote address by Dr. Lula Ballton, Executive Director of the West Angeles Church of God In Christ Community Development Corporation; comments from Joshua DuBois, Special Assistant to the President and Executive Director of the White House Office of Faith-Based and Neighborhood Partnerships; breakout sessions on the topics of "Making the Connection Between Faith and Business", "The Real Deal on Gaining Access to Capital", "How to Use SBA Online Resources", "Tax Strategies for Growing Businesses and Tax Deductions with the Health Care Reform Act", "South Coast Air Quality Management District Air Quality Institute", "Should I Be a Non-Profit or For-Profit", as well as a roundtable with faith based leaders.

The purpose of the event is to inform community and faith-based leaders about programs that can assist their member businesses and organizations and to bring these organizations together for a common goal: the economic development of our communities.



Jerry Flavin, Hilda Kennedy and others present the Faith Through Works Award to Dennis and Laurie Montgomery of D&M Painting, Inc.

In addition to these activities, three awards were presented to highlight contributions by members of the community. They are as follows:

Character Building Award - Ruben Estrada, Estrada Strategies, Inc.

Faith Through Works Award - Dennis and Laurie Montgomery, D & M Painting, Inc.

Faith-Based Organization Development Award - Abundant Living Family Church/Nehemiah School of Business

The Character Award is provided to a business whose faith and values carry throughout the organization. The Faith Through Works Award is provided to a business who impacts the community through their work. The Faith Based Organization Development Award is awarded to a non-profit organization that has made the connection between faith and business in their service to businesses and potential business owners.

The event was organized by AmPac TriState Certified Development Company, the Inland Empire Women's Business Center, and the U.S. Small Business Administration. Special thanks goes out to the event's sponsors: South Coast Air Quality Management District, California Bank & Trust, City of Ontario, Union Bank, and City National Bank. SADO would also like to thank the lenders that participated in the loan fair for taking the time to travel to the event and discuss the financial needs of the businesses in attendance. We look forward to building upon the success of this year's event next year and in the years to come.

Get the Burger Gets It

Story by Angel Cardoz, Business Counseling and Training Manager
Inland Empire Women's Business Center

Considering the condition of the economy, people are not surprised to see businesses closing their doors. However, in the heart of Big Bear, on Big Bear Boulevard, lies not the remains of a once thriving business, but rather the beginning of "the next big thing" - Get the Burger. As owner Eric Schwartz puts it, Get the Burger is like "In and Out on steroids."

Get the Burger maintains a simple philosophy - customers can make or break a business. It's for this reason that they maintain a strong relationship with the community, by being active participants in their local Chamber of Commerce and volunteering for local community events.

Early in their entrepreneurial career, Eric and Lynn Schwartz joined the Big Bear Chamber and started hosting mixers and fundraisers. During the fires of 2003, which engulfed many of the forests surrounding their community, Eric along with other volunteers cooked for the firefighters at a local ski resort & lodge. In addition to these activities, the Schwartz's are known for their charitable contributions to community arts, Big Bear Sheriff's Explorers & "Citizens on Patrol", and the Domestic Violence Shelter. Their involvement in the community and their charitable work and contributions was reciprocated years later, during some very turbulent times for their business.

During 2008, Get the Burger encountered some difficulties with their location and were forced to relocate. Financial and operational barriers stood in the way of their relocation. It was during this time that Eric and Lynn learned about the Inland Empire Women's Business Center (IEWBC), a program funded by the U.S. Small Business Administration and dedicated to helping aspiring and existing business owners reach their entrepreneurial goals. The IEWBC helped them write a business proposal, develop a pro-forma, prepare a loan package, and ultimately secure financing.

Thanks to their hard work & entrepreneurial spirit, and the help of the talented consultants at the IEWBC, as well as support from their family and community, Get the Burger was able to reopen their doors on June 30th, 2009. Not only were they back serving the community they love, but they also created 12 new jobs. Their new location can accommodate 50 people, as opposed to their old location that could only seat 15 individuals.

Despite the economic downturn experienced in the last few years, Get the Burger was able to bring about even more positive news. Their company was able to create three additional summer jobs, as well as maintain their original 12 throughout the year. They added a few items to their select menu which

have all been quite popular. Eric and Lynn continue to work with the IEWBC as they prepare to expand and open a new location somewhere in San Bernardino County. Get the Burger has shown that working with your local business resources, maintaining strong community ties, and remembering that the customer always comes first, success is possible.

SADO Graduates Its First e200 Class

Story by Doug Dare, Business Development Specialist

The Santa Ana District Office of the U.S. Small Business Administration graduated its first Emerging 200 (e200) class on Monday, November 1st. The e200 initiative is an executive-level training program for small business owners in twelve communities with an emphasis on Native American business owners. Through this program, participants receive more than 100 hours of classroom instruction over seven months on topics such as financial analysis, marketing and sales strategies, and setting strategic growth goals. Associate Administrator Ellen Thrasher and Nicole Nelson from the Office of Entrepreneurial Development were on hand to meet the participants and attend the graduation ceremony.

"Over the last few years, e200 has been a catalyst for expanding opportunities for many promising small businesses in underserved communities - in particular those who have been most impacted by these tough economic times," SBA Administrator Karen Mills said. "Graduates of the program have increased their revenue, created jobs and helped drive local economic growth in their communities."

Since its inception, e200 has identified business owners across the country who have shown a high potential for growth in underserved markets and provided them with the training, networking, resources and motivation required to expand operations and create jobs. Businesses that have annual revenues of at least \$400,000 and have been operating for at least three years were targeted as participants for this class.



e200 graduates gather with SBA officials for a photo opportunity

This year's graduates are:

Yvonne Adams, Alaska Laser Technik, Inc.
Armando Bravo, Oraway Engineering
Charmaine Burnett, HUB Zone Corporation
Howard Clarke, Matrix Technology Solutions, Inc.
Steve Donnell, Donnell Shooting Supplies

Jeff Estep, Heritage Global Solutions
Jamie Fullmer, Blue Stone Strategy Group
Alison Hicks, New World Environmental, Inc.
Janice Lewis, Ft. Mojave Construction, Inc.
Charles Ojuri, CGO Construction Company, Inc.
Rachel Stanhoff, Conterra Construction
Don Wadsworth, New World Environmental, Inc.
Johannes Yostanto, J. Yostanto Corporation

"E200's curriculum forces small business owners to identify areas for improvement and establish measurable goals," remarked participant Jeff Estep. "The general consensus is that we have formed business and personal relationships with other small business owners facing similar issues and that e200 is just the beginning of our paths."

For more information about the e200 initiative, please visit <http://www.sba.gov/e200>.

In other news...

Story by Doug Dare, Business Development Specialist

8(a) Workshop Coming Soon

The Santa Ana District Office will be hosting another 8(a) Application Workshop on November 18 from 8:30am to noon. Please call Sandra Diaz at (714) 560-7446 or email sandra.diaz@sba.gov to register or for more information. The [8\(a\) program](#) is a nine-year business development program for socially and economically disadvantaged business owners.

OCSBDC Welcomes New Consultant

The Orange County Small Business Development Center welcomed a new consultant aboard - Mike Sabellico comes to the OCSBDC with more than 25 years of government contracting experience. He spent 20 years in the United States Coast Guard, serving in numerous command cadre positions and in positions of acquisition authority and responsibility. To schedule a free appointment with Mike or any of the other consultants at the Orange County Small Business Development Center, call (714) 564-5200.

SADO To Participate in OCTA Small Business Forum

SADO members Karen Burgess, Lead Business Development Specialist, and Rachel Baranick, Deputy District Director will be hosting workshops on the topics of Federal Certification Programs and Financial Information for Small Businesses respectively at the [OCTA Small Business Forum/Workshop](#) on November 10th. Please note that this event has reached registration capacity and is now closed. For further details, contact Bekele Demissie at (714) 560-5657.

Conference for Latino Entrepreneurs - January 29

[Conferencia Empresarios Latinos 2011](#) will be held on January 29th at the Elks Lodge in Santa Ana. Planning has just begun - please direct any questions you may have about this Spanish language event to Sylvia Gutierrez at (714) 560-7454. Last year's event drew over 300 attendees.

Attention SBA Lenders

SBA's Office of Capital Access has released two new SOPs: [50 10](#) (Loan Processing) and 50 51 3 (Loan Liquidation and Acquired Property). Though the 50 51 3 is not yet publicly available, it is expected to be available shortly. SOP 50 10 is effective October 1, 2011, while SOP 50 51 3 is effective November 15, 2011. SOPs are the Standard Operating Procedures that SBA approved lenders must follow in order to be compliant with our loan programs.

Deadline for Small Business Week Nominations Approaching

Story by Doug Dare, Business Development Specialist

November 12th is the deadline for submissions for this year's Small Business Week awards. If you know of any successful small business owners deserving of this recognition, please show your appreciation for their work by nominating them for an award.

The categories are as follows:

Small Business Awards:

- Small Business Person of the Year
- Exporter of the Year
- Young Entrepreneur of the Year
- Jeffrey Butland Family-Owned Business of the Year
- Entrepreneurial Success Award

Small Business Champion Awards:

- Minority Small Business Champion of the Year
- Women in Business Champion of the Year
- Veteran Small Business Champion of the Year
- Financial Services Champion of the Year
- Home-Based Business Champion of the Year

Questions regarding the nomination process and the [criteria](#) for each award may be directed to Sylvia Gutierrez, Small Business Week Coordinator at (714) 560-7454.

Past recipients at the Santa Ana District Office include Stronghold Engineering, Macro-Z Technology, Win-Dor, and Pyramid Laboratories.

Winners at the district level compete with other districts for state, regional, and national awards. Award winners at the national level are honored in Washington, D.C during National Small Business Week. Last year, the award winners were hosted at the White House by President Obama, where he discussed the important role that small business owners play in our economy and communities.

SBA Growth Capital Program Provides Record \$1.59 Billion in Financing for Small Businesses in FY10

Story by Dennis Byrne, Public Affairs Specialist
SBA Office of Communications & Public Liaison

At a time when capital was scarce for small businesses, financing from the U.S. Small Business Administration's growth capital program increased 23 percent in fiscal year 2010, providing a record \$1.59 billion to help small businesses grow and create jobs, according to SBA Administrator Karen Mills.

The fiscal year 2010 volume is the highest single-year volume in the 50-year history of SBA's Small Business Investment Company (SBIC) debenture program. Increased volume in the program is in part a result of changes made by the American Recovery and Reinvestment Act of 2009. Those changes contributed to an increased number of new SBIC licenses, decreased license processing times, and initial capital to new funds rose dramatically.

"At a time when access to capital was tight, including from the traditional sources of growth capital, SBA helped fill some of that gap with a record amount of financing through our SBIC program," Mills said. "Across the country, there are small business owners and entrepreneurs who are well-positioned to take that next step, grow their business and create good-paying jobs. Our efforts to strengthen our program efficiency and increase funding available through the SBIC program has provided another critical tool to help these small businesses get the capital they need and drive economic growth.

The SBIC program was created to stimulate the growth of America's small businesses by supplementing the long-term debt and private-equity capital available to them. SBA's SBIC fiscal year 2010 results

include the following:

- **Record High Financing to Small Businesses:** Total financings to the SBA SBIC debenture program grew to a 50-year record high of \$1.59 billion in fiscal year 2010 - a 23 percent increase over an average \$1.29 billion in the four previous years. Debenture program obligations grew to \$1.17 billion from an average \$750.6 million, another 50-year record high.
- **More licensed SBICs and Faster Processing Times:** Twenty-one (21) new SBIC licenses were issued in fiscal year 2010, a 130 percent increase over the four-year average of 10 per year. Additionally, SBIC license processing time improved to just 5.8 months in fiscal year 2010, a nearly 60 percent decrease from an average of 14.6 months in 2009.
- **Record High Capital Commitment to Support Small Businesses:** SBA capital commitments to new funds broke yet another 50-year record in increasing to \$1.23 billion in fiscal year 2010, a 135 percent jump from an average of \$524.3 million in the four previous years. Equally important, the programs attracted record levels of private capital commitments, increasing to \$615 million in 2010 from \$262.1 million in previous years - another 135 percent increase. Combined total initial capital to new funds increased to \$1.845 billion in fiscal year 2010 from an average of \$786.4 million.

SBICs are privately-owned and managed investment firms that are licensed and regulated by SBA. SBICs use a combination of funds raised from private sources and money raised through the use of SBA guarantees to make equity and mezzanine capital investments in small businesses. There are more than 300 SBICs with more than \$16 billion in capital under management.

Since the SBIC program's formation in 1958 through April 2009, it has invested approximately \$56 billion in more than 100,000 small businesses in the United States. For more information about the SBA's Investment Division and SBIC program, go to www.sba.gov/inv or call 1-800-U ASK SBA.