



## June 2008

**U.S. Small Business Administration**  
Cleveland District Office

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**June 2008 Newsletter**  
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**For More Information**  
**SBA Home Page: [www.sba.gov](http://www.sba.gov)**

- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk: 1-800 U ASK SBA
- E-mail: [answerdesk@sba.gov](mailto:answerdesk@sba.gov)



## LOAN REPORT *as of May 31, 2008*

### Total Loan Volume – MAY 2008 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
Huntington National Bank	154	\$30,319
National City Bank	125	\$13,478
Charter One Bank/RBS Citizens	115	\$5,461
JP Morgan Chase Bank	86	\$12,221
FirstMerit Bank	70	\$13,507

### 504 Loans

Bank	Number of 504s
Huntington National Bank	13
FirstMerit Bank	10
National City Bank	7
KeyBank	6
JP Morgan Chase Bank	5

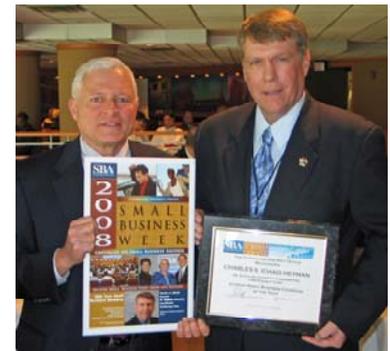
### CDC

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	24	\$8,044
Cascade Capital Corp.	14	\$10,732
Lake County SBAC	11	\$3,422
Community Capital Dev. Corp.	7	\$4,366
Ohio Statewide, Inc.	4	\$4,516
Stark Dev. Board Finance Corp.	4	\$970
Horizon Certified Dev. Co., Inc.	3	\$2,563
Mahoning Valley Economic Dev Corp	3	\$1,880
Mentor Economic Assistance Corp.	3	\$372
SEM Resource, Inc.	2	\$2,455
Northwest Ohio Dev. Assistance Corp.	1	\$343
West Central Partnership	1	\$115

# SBA Honors Six Small Business Champions During Small Business Week



*Gil Goldberg, District Director of SBA's Cleveland District Office, presents awards to ( from left): Ronald W. Clutter, President, Nordic Air Inc., Ohio Small Business Person of the Year; Myron Robinson, former President and CEO, Urban League of Cleveland, Minority Small Business Champion of the Year; Patricia Peterman Piteo, CPA, Partner, Cohen & Company, Financial Services Champion of the Year*



*Gil Goldberg, District Director of SBA's Cleveland District Office, presents awards to ( from left): James R. Potter, President, J.R. Potter & Associates, Inc., Small Business Exporter of the Year; William Auxter, Director, The Ohio SBDC at Terra Community College, SBDC Service Excellence and Innovation Award; Charles (Chad) Heyman, Senior Supplier Diversity Coordinator, FirstEnergy Corp., Veteran Small Business Champion of the Year*



*From left to right: SBA's Gil Goldberg with Jane Stewart of NEO PTAC, during opening remarks, with Jo Ann Ulick of Greater Cleveland Partnership, and with Myron Robinson, former President and CEO, Urban League of Cleveland*

## Cost and Pricing Workshop to be Held for Small Disadvantaged Business

This workshop provides eligible small disadvantaged business owners with a solid foundation of cost accounting principles for federal government contracting.

The workshop instructs the small disadvantaged business owners on how to design an adequate accounting system for tracking and recording information properly. Additionally, the workshop will provide information on the importance of indirect cost and indirect rates and how to utilize them in a structured accounting system. Other topics will include; labor and timekeeping, auditor guidelines, DCAA audit concerns, retention of records guidelines, profit limits, key resources and defining allowable and un-allowable cost and delivery material. All designed to prepare the small disadvantaged business owner with the basic knowledge and foundation needed for seeking federal government contracting opportunities.

Workshops and Registration: Cost and Pricing Level I

Tuesday, August 5<sup>th</sup>, 2008  
8:00 a.m. to 4:30 p.m.

Lower Level Conference Room  
U.S. Bank Centre Building  
1350 Euclid Avenue  
Cleveland, Ohio 44115

### SBA Cleveland District Office Program Staff

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Sonya Wagasky,  
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## SBA's Community Express Program: Myth vs Fact

**Myth:** Community Express's cap significantly diminishes the SBA loans reaching small businesses.

**Fact:** Community Express, currently a pilot program, accounts for about 2 percent of SBA loan volume in dollars. As we review the program's pilot status and make decisions about its future, we want to ensure that the program minimizes fraud, waste and abuse, and truly delivers good loan products at reasonable prices to underserved borrowers. However, due to relatively higher credit risk in the program to date, the agency has referred the matter to SBA's Office of Inspector General for audit.

**Myth:** Community Express is a major source of small SBA loans.

**Fact:** Several other proven SBA products reach the same markets with the same or similar guarantees as Community Express including Patriot Express, SBA Express, and the regular 7(a) program. In FY 2006, 42,000 borrowers were approved for 7(a) loans under \$35,000; 5,000 of those loans were Community Express.

In FY 2007, 45,671 loans were approved for 7(a) loans in dollar amounts under \$35,000; 7,000 of those loans were Community Express.

**Myth:** Large Community Express lenders had no prior notice the cap was approaching.

**Fact:** Large Community Express lenders have been aware of the cap issue for many months. SBA encouraged lenders to diversify their product portfolios, advised them of SBA's many other programs, and offered to do training on other SBA loan products that could be used to assist qualified lenders. Janet Tasker, Deputy Associate Administrator for Capital Access, met with major Community Express lenders in late February to highlight the cap issue and encourage them to shift to other SBA products and reduce their Community Express output. Eric Zarnikow, Associate Administrator for Capital Access, met with major lenders in early April and communicated that they had a per month loan cap beginning that month.

Zarnikow also offered that SBA would work with lenders on their loan pipelines if they had alternatives they wanted to propose and that the agency would work with them on other SBA products. With only one exception, SBA did not receive any alternative proposals.

Rather than moderating per SBA's instruction, some lenders' loan production increased for the month of April, and one lender's production dramatically exceeded the cap they had been communicated. We have reset targets based on the actual production and current 7(a) loan volume and have communicated the revised cap of loans per month.

Rather than work with SBA to manage to the cap, some Community Express lenders continued to make loans in excess of the cap, pushing SBA to impose the cap in a way that cooperation would have made unnecessary.

It's important to understand that the Community Express pilot program was created to complement SBA's main loan programs, and not to become the entire focus of a lender's business.

**Myth:** The current volume cap is based on the mistaken assumption that the limit applies to the dollar amount of loans rather than the number of loans.

**Fact:** Section 7(a)(25)(A) of the Small Business Act states, "Not more than 10 percent of the total number of loans guaranteed in any fiscal year under this subsection may be awarded as part of a pilot program ..." (emphasis added). This directive could not be more clear. ♦

## SBA and FranNet Team Up to Offer Online Training On “Franchising Basics” for Small Businesses

Entrepreneurs considering franchising can now access a new online course from the U.S. Small Business Administration and FranNet to help them navigate the competitive franchise industry. The introduction to franchising course, *Franchising Basics*, is a free online seminar which provides three key sections that examine more than 10 essential areas relating to franchising, including *Is Franchising Right for You* and *How to Choose the Right Franchise*. The course also covers franchising options, strategies for growth, and pitfalls to avoid. Course participants will be able to better understand franchising and decide if it is the best small business option for them. The *Franchising Basics* course can be accessed from the SBA Web site at [www.sba.gov](http://www.sba.gov), under the Free Online Training icon by selecting Franchising Basics in the Starting a Business section. The courses can be reviewed at the learner’s own pace and in their own time, and a certificate of completion will be provided to participants who finish the course. “SBA is committed to helping entrepreneurs achieve their goals of business ownership, and the online training tool is both accessible and educational in determining if franchising is the right business option,” said Anoop Prakash, SBA’s associate administrator for Entrepreneurial Development. “We believe that combining our resources to help build up small businesses and to help train future entrepreneurs is important to strengthening the nation’s small business community.”

The cosponsorship between SBA and FranNet allows both organizations to help entrepreneurs achieve their goals through educating them on opportunities, financing, research and realistic goal- setting. Investing in a business can be frightening and overwhelming, however, SBA and FranNet provide tools and guidance to ease the decision. FranNet uses educational seminars and personalized consulting services to help entrepreneurs determine if franchising is the right path. “FranNet has been diligently working on increasing the knowledge of the benefits of franchising to the public,” said Jania Bailey, President and COO of FranNet. “Franchising is not just about french fries, but rather a proven business format that grows businesses quickly. Hundreds of thousands of people have opened their own business by buying a franchise. Franchises create thousands of jobs each year, help develop local economies and provide endless business opportunities. Buying a franchise is a wonderful way to go into business for yourself, but not by yourself. Franchises have proven systems and a team of people in place to make sure you are successful in building your business.”

FranNet provides no-cost guidance, information and support to individuals who are interested in purchasing a franchised business. FranNet consultants specialize in helping their clients find the right franchise through their exclusive matchmaking process. FranNet also hosts numerous informational seminars and educational programs that are open to the public each month throughout the country and online. To learn more about opportunities with FranNet call 1-800-FRANNET or visit [www.frannet.com](http://www.frannet.com). ♦

*The support given by the U.S. Small Business Administration to this activity does not constitute an express or implied endorsement of any cosponsor's or participant's opinions, products, or services. All SBA programs or cosponsored programs are extended to the public on a nondiscriminatory basis. Cosponsorship Authorization #08-7630-01*

### Small Businesses Benefit from 2008 Economic Stimulus Act Depreciation Provisions

Businesses that have bought assets – or are planning to do so – in 2008 can benefit from the same legislation that is delivering payments to individuals this year.

The Economic Stimulus Act of 2008 increased the maximum amount for depreciation under section 179 of the federal tax code from \$128,000 to \$250,000 for 2008. It also raised the section 179 phase-out limit, formerly \$510,000 for this year, to \$800,000. Section 179 depreciation provides a way for businesses to recover quickly some of the costs of certain property purchases, such as equipment. The law also reinstates 50 percent special depreciation, also known as bonus depreciation, for much of the country. This special depreciation entitles taxpayers to depreciate 50 percent of the cost or other basis during the year for an asset placed into service in 2008 and depreciates the remaining cost or basis over the asset’s normal life. Some states do not follow the special depreciation rules and the tax provisions’ most effective use will depend on taxpayers’ circumstances. Small businesses should consult their tax advisors.

The Economic Stimulus Payments Information Center on the IRS’s Web site at <http://www.irs.gov/newsroom/article/0,,id=177937,00.html> is the best source of Economic Stimulus information from the IRS. Or look for the *Stimulus Payment* graphic on home page of IRS.gov, click on “Rebate Payment Questions”, and then scroll down for “Information for Businesses”. As guidance is issued, the Web site will be updated, so check back frequently. ♦

To get the latest IRS business information, go to IRS.gov at <http://www.irs.gov/businesses/small/article/0,,id=154825,00.html> to start a free subscription to *e-News for Small Businesses*.

## Deputy Administrator Marks Five-Year Tax Cut Anniversary at Small Business Roundtables

SBA Deputy Administrator Jovita Carranza marked the five-year anniversary of the 2003 Tax Relief by addressing the economic importance to small business owners of permanent tax relief at roundtables in Detroit, MI and Atlanta, GA this week. Small business owners will be faced with sizable increases if the President's 2001 and 2003 tax cuts expire. In addition, Carranza discussed how small businesses will benefit from the economic stimulus package recently passed by Congress.

"In order to support small business growth and foster innovation, America needs a fiscally sound tax policy," said Deputy Carranza. "The President's tax relief has clearly helped small businesses but those tax reforms are set to expire at the end of 2010. Extending the tax relief will provide the boost small businesses need to start and re-invest in their businesses."

Small businesses depend on capital to grow, and higher taxes discourage saving and investment, especially during challenging economic times. Since most small business owners often pay business income taxes on their individual income tax return, higher income tax rates on individual income will have a big impact on entrepreneurs. Of those Americans who have benefited from the reductions in the top tax bracket, 75 percent were small business owners. According to the U.S. Department of Treasury, 27 million small business owners will face a \$4,066 tax increase on average if the tax cuts expire.

"After 52 consecutive months of job growth, we are now in a period of slow growth, making permanent tax relief even more important to small businesses," said Carranza. "America's entrepreneurs are the drivers of innovation, allow our country to be globally competitive and strengthen our economy. It is vital that we support policies that will help them succeed."

The small business benefits of the 2008 economic stimulus package were also a topic of discussion. The package includes tax incentives for businesses to make investments in new equipment this year – a 50 percent bonus deduction on new equipment that normally would be depreciated over a longer term, and an increase in the limit on expenses that small businesses can deduct from annual income. The boost from this stimulus will help buoy the economy in the coming months and strengthen consumer confidence. ♦

## SBA Launches Tax Savings Resource Center

*Online tools will educate small business owners on economic stimulus package benefits*

SBA has created an online tax savings resource center to help small businesses understand how they can benefit from the 2008 economic stimulus package signed into law by President Bush earlier this year. The package includes the following tax incentives for businesses: a 50% bonus depreciation allowance on equipment purchased and placed in service in calendar 2008 and an almost 100% increase in the amount (from \$128,000 to \$250,000) that a business can expense for equipment purchased and placed in the business tax year beginning in 2008.

"The stimulus package is designed to spur the economy by putting money back into the pockets of American workers and encouraging small businesses to invest and expand," said SBA Acting Administrator Jovita Carranza. "However, many small business owners are unaware of how it could boost their bottom line. In the roundtables I held with dozens of small business owners last week on tax policy, many were amazed to learn how much their companies could benefit from the temporary tax incentives in the package." SBA's new tax savings resource center demonstrates the benefits entrepreneurs can gain from the 2008 economic stimulus package. The center, located on [www.sba.gov/stimulus](http://www.sba.gov/stimulus), contains three resources on the package:

1. **Fact Sheet** The fact sheet provides a clear explanation of the small business tax benefits.
2. **Deprecation Calculator** This useful tool provides an estimate of the first-year depreciation available under the provisions.
3. **Online Seminar** This brief tutorial summarizes the tax benefits and concludes with the depreciation calculator.

These resources should help small businesses take advantage of the stimulus package. However, because there are exceptions and additional requirements, small businesses are encouraged to contact their tax advisor to determine exactly how the provisions and implementing tax code of the 2008 economic stimulus package apply to their business. They may also refer to the IRS Web site: <http://www.irs.gov/newsroom/article/0,,id=179227,00.html> for additional information regarding tax changes. ♦