

COMMUNICATOR

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2010 R.I. ECONOMIC SUMMIT DRAWS ENTREPRENEURS AND LEGISLATORS TO DISCUSS BUSINESS ISSUES



Full House: Small business owners and legislators discuss state taxes and budget, access to capital and economic development during one of five breakout sessions during the 4th Annual Rhode Island Economic Summit at Johnson & Wales University.

SBA
 LENDING IN
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 INCREASES
 SHARPLY
 DURING FIRST
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U.S. Small Business Administration



Helping small businesses
 start, grow and succeed

Nearly 200 small business owners, advocates and state legislators gathered on the Johnson & Wales University Harborside Campus in Providence on January 4th for the 2010 Rhode Island Economic Summit.

The annual event provides an opportunity for attendees to discuss issues that impact the small business community. In addition to the many small business owners, all five of the state's general officers and about 30 state legislators participated in the summit, which is co-sponsored each year by the SBA and the Rhode Island Small Business Development Center.

Following opening remarks by Dr. Jeffrey D. Senese, vice president of academic affairs at Johnson & Wales University, and SBA regional administrator Jeanne A. Hultit, the attendees, including many legislators, broke out into sessions that addressed six key areas: taxes and budget; regulations; health care; access to

capital/economic development; education/workforce development; and energy.

A working lunch followed the breakout sessions where recommendations made during the breakouts were presented to the state general officers and General Assembly leadership. The elected officials were given an opportunity to comment on the suggestions.

Among the recommendations generated during the breakout sessions were (in no particular order): Make every effort to reform the current tax system (personal and corporate) to make it more competitive and encourage economic growth and job development in the state; tax all business entities on a net receipts basis; enact significant state and municipal pension and benefit reform to bring these benefits more in line with the private sector; enable municipalities to seek relief from state-imposed mandates to allow local control and quality of public

(See *R.I. Economic Summit, Page 2*)

RHODE ISLAND ECONOMIC SUMMIT (continued from Page 1)

service; encourage or force regionalization of municipal services to achieve cost savings; improve access to capital by reinstating the SBA Loan Guarantee Tax Credit; maximize matching funds available to federally-funded technical assistance programs (RISBDC, CWE, RIPTAC, RIMES); charge the state economic development corporation with assisting businesses in locating vacant commercial property; streamline commercial and industrial building and fire permitting processes by creating a statewide central office to efficiently issue permits within a rational and predictable timeline; consolidate health insurance premium dollars through a health exchange (hub) to control costs and cover more uninsured; create a commission to address energy efficiency, energy services to businesses, and energy pricing predictability issues; develop a comprehensive statewide energy policy; fund an apprentice system to train students in the skills needed by Rhode Island industries; create a shared vision to link education, workforce and economic development.

A final report on the recommendations is expected to be released in March.

The Rhode Island Senate Task Force on Small Business Growth and Development conducted a public hearing after lunch and took testimony from the summit committee chairs, who summarized their committee's recommendations. Small business owners and advocates also testified during the two hour hearing.



Chattin' with the Gov: SBA regional administrator Jeanne Hult discusses small business issues with Governor Donald Carcieri prior to the summit plenary session.

SBA LENDING IN RHODE ISLAND INCREASES SHARPLY

The number of loans to Rhode Island small businesses guaranteed by the U.S. Small Business Administration between October and December 2009 has doubled over the same period last year. Compared to the first quarter of federal fiscal year 2009, loan dollars rose from \$10 million to \$31.3 million. Loan approvals increased from 61 in 2009 to 122 this year.

Loans made under the SBA 7(a) program totaled 107 with a dollar volume of \$19.7 million. That is a 91 percent increase in loans over the same period last year and a dollar volume increase of more than 200 percent. The remaining 15 loans were made under the 504 program. The 504 loan dollar volume was \$11.5 million. That is compared to 5 loans totaling \$2.1 million last year.

7(a) loans are most commonly used to help start-up and existing small businesses obtain financing when they might not be eligible for business loans through normal lending channels.

The SBA 504 program provides long-term, fixed rate financing for capital assets like the purchase of commercial real estate and equipment with a minimum useful life of ten years.

The top five Rhode Island SBA 7(a) lenders are: BankRI with 27 for \$3.2 million; Coastway Community Bank, 20 loans totaling \$6.3 million; Citizens Bank, 11 loans for \$1.3 million; Bank Newport, also with 11 loans for \$1.1 million; and The Washington Trust Company, 8 loans totaling \$1.7 million.

The four SBA 504 lenders in Rhode Island are: Ocean State Business Development Authority with 9 loans totaling \$9.4 million; South Eastern Economic Development Corporation, 3 loans for \$1.3 million; New England Certified 504, 2 loans for \$614,000; and Rhode Island Community Investment Corporation, 1 loan for \$158,000.

Since the Recovery Act was signed on February 17, 2009, SBA nationally has supported more than \$19 billion in lending to small businesses through the 7(a) and 504 loan programs and has seen its average weekly dollar volume increase by more than 75 percent in comparison to the weeks before the Recovery Act was signed into law.

In Rhode Island, as of December 14, 2009, SBA had approved 339 loans supporting \$97,783,850 in lending to Rhode Island small businesses since the February 17, 2009, and the average weekly dollar volume increased by 98 percent.



Meet the Press: Regulations sub-committee chair Gary Ezovski was interviewed by Bill Rappleye of WJAR-TV (NBC-10) about the issues discussed during the breakout session.



Mark S. Hayward

*From the
District
Director's
Desk*

Another year is upon us and the first decade of the 21st Century is behind us. Last year was very challenging for the small business community and as we begin the new year let us hope that we can trust in the predictions of local economists who say the worst is behind us and 2010 will be a year of true recovery.

We began the new year with another extremely successful Rhode Island Economic Summit. The challenging conditions in our state drew a record crowd to the summit this year. I thank all five state general officers and 30 state legislators for participating. The dialogue generated between these elected officials and the small business community was encouraging.

I also thank John Cronin and his staff at the Rhode Island Small Business Development Center for stepping up to cosponsor the summit again this year. My heartfelt thanks also go out to the sub-committee chairs, Cap Wiley, Gary Ezovski, Phil Papoojian, Marion Ross, John Gregory and Mark S. Deion for their hard work over the past several months. They along with their committee members volunteered numerous hours to develop the agenda and identified the topics for discussion during the summit.

I also appreciate the commitment of the General Assembly members for their genuine interest in the issues that impact the small business community in this state. That commitment was clearly demonstrated through the scheduling of a public hearing by the Senate Task Force on Small Business Growth and Development at the summit.

You will read elsewhere in this newsletter about the several visits to Rhode Island by SBA regional administrator Jeanne Hult. The visits have been an excellent opportunity for us to showcase small businesses throughout the state

and let her see first-hand the challenges facing entrepreneurs in this state. I know she appreciates their struggles and as a former SBA lender in Maine "gets it." Jeanne has also had the opportunity to meet with Senator Jack Reed at a few of the small business visits.

I thank Jeanne for her interest in the Rhode Island small business community and look forward to bringing her to other small businesses across our great state.

2010 is the year for training here at SBA. We are planning a series of training programs for our participating lenders to make certain all have the very latest information about our loan guaranty programs so they can better serve the small business community by providing the capital they need to grow and succeed.

On behalf of everyone at the Rhode Island District Office, I extend best wishes for a happy, healthy and successful 2010,

ADDITIONAL FUNDING FOR SBA RECOVERY LOAN PROGRAMS SUPPORTS \$4.5 BILLION IN LENDING

President Obama signed the U.S. Department of Defense (DOD) appropriations bill, which included \$125 million to continue through Feb. 28, 2010, the enhancements made possible through the American Recovery and Reinvestment Act (ARRA) to SBA's two largest loan programs. The SBA estimates the additional funding will support \$4.5 billion in small business lending.

New approvals of loans with the higher guarantee and reduced fees made possible by ARRA began on December 28. Loan applications from borrowers who chose to be placed in the SBA's Recovery Loan Queue will be funded first, followed by new loan approvals beginning on or before December 28.

As part of ARRA, SBA received \$730 million, which included \$375 million to

increase the SBA guarantee on 7(a) loans to 90 percent and to waive borrower fees on most 7(a) and 504 loans. The funds for these programs were exhausted on Nov. 23.

SBA created the Recovery Loan Queue as part of its transition back to pre-ARRA lending on Nov. 23 because previously approved loans are sometimes canceled or never disbursed for a variety of reasons. Eligible small businesses, in consultation with their lender, could choose to be placed in the queue for possible approval of an ARRA loan if funding became available. Currently there are 1,069 loans totaling almost \$530 million in the Recovery Loan Queue.

The extension included in the DOD bill authorizes the higher guarantee levels through Feb. 28, 2010. The fee relief is authorized until this additional funding is exhausted or the end of the fiscal year,

whichever comes first.

As was the case in November, SBA transitioned into a queue system as the funds start to wind down in order to ensure the maximum cumulative effect of the programs and disbursement of funds.

For non-ARRA 7(a) or 504 loans funded during the transition period, this extension does not provide a retroactive guarantee or waived fees. Loans that were funded under non-ARRA terms cannot be canceled and resubmitted to take advantage of the ARRA extension provisions.

This extension does not affect other SBA ARRA programs, including the America's Recovery Capital (ARC) loan program or the agency's microloans. ARRA funding still remains for both of those programs.

SBA, DELL LAUNCH EDUCATIONAL VIDEO SERIES

Highlighting the experiences of successful entrepreneurs, the U.S. Small Business Administration and Dell have launched an online video series offering tools and strategies to help small business owners rebound from the economic recession and put themselves in a position to expand and create jobs.

Strategies for Growth: Advice for Expanding Your Business includes real-world insight, solutions and advice from small business owners who've succeeded, in good and bad economic times. Additionally, the series draws on the expertise of counselors, policy makers and others for accessing resources and tools available to small business owners.

The *Strategies for Growth* video series highlights key topics that engage small business owners in issues critical to small business growth. These areas include Planning for Growth, Government Contracting, Team Building, Marketing, Technology, Exporting Opportunities, and Disaster Recovery. Also featured is a Profiles of Success segment that spotlights two successful entrepreneurs.

The *Strategies for Growth* video series features a range of growing small businesses from across the country, including a design firm, a vegetarian restaurant and bakery, and a green construction company.

The SBA provides free small business counseling and training through a variety of programs, services and resource partners, located throughout the country. Each of the business owners featured in *Strategies for Growth* benefited from a variety of training and resource tools offered by the SBA.

Strategies for Growth is available on the SBA's Web site at <http://www.sba.gov/strategiesforgrowth> and at the SBA's YouTube channel at www.YouTube.com/sba. Each topic is indexed by subject and includes additional resources for entrepreneurs.

SBA DISASTER LOANS AVAILABLE IN R.I.

The U.S. Small Business Administration announces today that federal economic injury disaster loans are available to small businesses, small agricultural cooperatives and most private non-profit organizations of all sizes located in Kent, Providence and Washington counties in Rhode Island because of abnormally high rainfall, high winds, hail and flooding that began on May 12, 2009.

"These counties are eligible because they are contiguous to one or more primary counties in the State of Connecticut. The Small Business Administration recognizes that disasters do not usually stop at county or state lines. For that reason, counties adjacent to primary counties named in the declaration are included," according to Frank Skaggs, director of SBA's Field Operations Center East.

"When the Secretary of Agriculture issues a disaster declaration to help farmers recover from damages and losses to crops, the Small Business Administration issues a declaration to eligible entities affected by the same disaster," said Skaggs.

Under this declaration, the SBA's Economic Injury Disaster Loan Program is available to eligible farm-related and nonfarm-related entities that suffered financial losses as a direct result of this disaster. Farmers and ranchers are not eligible to apply to SBA.

Victims may qualify for loans up to \$2 million. These loans are available at a 4 percent interest rate with loan terms up to 30 years. The SBA determines eligibility based on the size of the applicant, type of activity and its financial resources. Loan amounts and terms are set by the SBA and are based on each applicant's financial condition. Under this disaster declaration, the SBA cannot provide loans to agricultural producers.

Disaster loan information and application forms may be obtained by calling the SBA's Customer Service Center at 1-800-659-2955 (1-800-877-8339 for the hearing-impaired) Monday through Friday from 8 a.m. to 9 p.m. EST or by sending an email to disastercustomerservice@sba.gov. Loan applications can be downloaded from the SBA's Web site at www.sba.gov/services/disasterassistance. Completed applications should be mailed to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

Those affected by the disaster may apply for disaster loans from SBA's secure Web site at <https://disasterloan.sba.gov/ela/>.

Completed loan applications must be returned to SBA no later than July 26, 2010.

**PROBLEMS AT
YOUR
SMALL BUSINESS?
WE CAN HELP
CALL
(401) 598-2702**



GROUP OF RHODE ISLAND CONTRACTORS COMPLETE EDUCATION PHASE OF BONDING PROGRAM



Eighteen small and emerging contractors completed the education component of the R.I. Small and Emerging Contractors Development Program. The contractors are now working with representatives of the surety bond industry to obtain the bonding they may need to pursue business opportunities.

The first group of entrepreneurs to enroll in the Rhode Island Small and Emerging Contractor Development Program has completed the education phase of the program, which helps small contractors better compete in the marketplace by qualifying for surety bonding.

The RISECDP is presented at no charge to qualified contractors through a cooperative agreement between SBA, the Surety & Fidelity Association of America, R.I. Small Business Development Center, SCORE, and the Center for Women & Enterprise.

The program is targeted to contractors who have been in business at least three years and are in a position to grow but must first increase their bonding capacity.

The RISECDP consists of two interrelated components: educational workshops and bond readiness.

The educational component offers an introductory workshop on intake and logistics and five comprehensive sessions, each designed to provide information related to improving their company's operations.

The bond readiness component consists of one-on-one interactions with surety bond producers, underwriters and other professionals who work with contractors on a case-by-case basis in assembling materials necessary for a complete bond application and in addressing any omissions and/or deficiencies that might deter the successful underwriting of a bond.

The first "class" was conducted at the Taco Center on the Johnson & Wales University campus in downtown Providence. The next session is expected to be held in the Spring. Details will be announced soon.

REGIONAL ADMINISTRATOR JEANNE HULIT VISITS RHODE ISLAND FREQUENTLY

The regional administrator of the SBA in New England, Jeanne Hulit has been a frequent visitor to Rhode Island since assuming her duties last August.

Hulit has made it a point to visit each state monthly to meet with small business owners, SBA lenders, elected officials, business leaders, and has had several opportunities to speak with the local media about SBA efforts to help Rhode Island small businesses survive the challenges of a weakened economy.

"Part of my job is to make certain that small business owners are aware of what support is out there," said Hulit. "The SBA can provide many different services, including helping businesses to re-tool and restructure debt."

Hulit said most business owners she has met in Rhode Island are generally optimistic that the economy will turn around. She said she enjoys meeting with those who have been given hope and inspiration in some form by SBA and its resources.

Over the past three months, Hulit has visited a Rhode Island HUB-Zone-certified company, toured textile and braided rug manufacturers, met with executives of several Rhode Island lending institutions, toured Naval Station Newport, and visited the College of Culinary Arts at Johnson & Wales University.



Cumberland Mayor Daniel McKee discusses small business issues during a tour of the Impact Custom Apparel in Cumberland. The company received an SBA-backed loan from Navigant Credit Union to purchase new equipment. At left is regional administrator Hulit and company owner John Di Donato.



Donald Scarlatta, president of Colonial Mills, Inc. (left) discusses the braided rug manufacturing process with SBA regional administrator Jeanne Hulit and Senator Jack Reed during a recent tour of his Pawtucket facility.

She also met with all five Rhode Island state general officers, the general Assembly leadership, the mayors of Pawtucket and Cumberland, and most recently testified before the Rhode Island Senate Task Force on Small Business Growth and Development.

Prior to joining SBA, Hulit was a senior vice president for commercial lending at Citizens Bank in Maine for seven years. She also served as a vice president for Key Bank National Association for 10 years.



Ask SCORE...

CONTRACTOR OR EMPLOYEE? GET THE FACTS BEFORE YOU HIRE

Independent contractors are an attractive option for small businesses that don't have the resources or need for full-time employees. In fact, your small business may be built entirely on serving as an independent contractor to other enterprises.

But before you hire one or more independents, make sure that relationship fits entirely within the IRS's definition of contract labor, and that both you and your contractors understand the rights and responsibilities of everyone involved.

Deciding who can legitimately work as an independent contractor and who must be given employee status has become a difficult matter for small business owners. You can't simply choose what's best for you. The IRS and equivalent state agencies are strict on worker classification issues.

Remember that independent contractors work for themselves. They operate their own business. You are their client, not their employer. You don't dictate their hours or control how they perform their work. In the eyes of most government agencies, a worker is an employee unless *you* can prove otherwise.

Contractors control when and where they work. Avoid setting a pattern of daily or weekly work hours dictated by your business. Also, independent contractors do not usually have a permanent or

continuing relationship with the business and have time to pursue other clients. Plan to compensate contractors on a per-job basis, not weekly or monthly.

And since contractors are paid to complete a set task, they may bring in others to help, at their discretion and on their payroll. They also should use their own tools and technology and be responsible for their incremental expenses.

Contractors can't be fired as long as they produce results that meet their contract specifications. Do not include them under any insurance or benefits coverage you have for employees. Independent contractors are subject to making a profit—or suffering a loss—based on their own skills and expertise. Always require an invoice before making payment.

Understanding the requirements of using independent contractors will help you better determine whether such relationships are right for your current business needs, or if you need to hire them as employees.

Also make sure your contractors understand the rights and responsibilities involved as well. This will help prevent misunderstandings and potentially costly disputes over benefits and compensation.

To schedule an appointment with a SCORE counselor, call the SBA Rhode Island District Office at (401) 528-4561, or visit the local SCORE Web site at www.riscore.org.



Center for Women & Enterprise

FEBRUARY WORKSHOPS

You and Your Money:

A Financial Literacy Program

Wednesdays, Feb 3 - 24th, 6 - 8pm.

Cost: \$60

Attend a four-week program and become comfortable with the world of "money." Learn about budgeting and cash flow, credit, credit reports and FICA scores, savings programs and other issues in the world of personal finance that can affect you, your family and your business future.

HOW TO: Explore Entrepreneurship

Friday February 5th, 9am - 10:30am

Cost: FREE

Learn all about CWE and the full range of services we provide in this **FREE** one-hour orientation session. Meet the staff and receive literature and a business plan outline to help you get started.

Visioning

Tuesdays February 9 - March 2, 6 - 9pm

Cost: \$135

Considering entrepreneurship? Have a business idea but not sure where to start? Not sure how, or even if, entrepreneurship can fit into your life? CWE's Visioning module is the first step to turning your dreams of owning your own business into a reality. Visioning will help you explore the challenges and rewards of self-employment, create a vision for your business, and consider your long-term goals.

Business Basics: Ten Steps to Starting a Business

Wednesday, February 10th 10:00am - 12:00pm

Cost: \$35

Ten Steps to starting a Business is ideal for those in the early stages of starting a business, or those thinking about owning a business. This one time, two-hour workshop will include topics like: considering your legal structure, choosing a name and identity, obtaining an employer identification number, licenses and permits, insurance and much more. You will leave this session with an A to Z overview as well as the specific tools and tips that will help you get started quickly.

Scholarships and payment plans available to those who qualify

Email info.providence@cweonline.org to register and/or for more information,

or call (401) 277-0800

U.S. Small Business Administration



Your Small Business Resource

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RHODE ISLAND ECONOMIC SUMMIT

SENATE TASK FORCE HEARING



SBA regional administrator Jeanne Hult (center) and SBA district director Mark S. Hayward (right) urged the General Assembly to provide increased funding to the R.I. Small Business Development Center during a hearing of the Senate Task Force on Small Business Growth and Development, which was held during the 4th Annual R.I. Economic Summit. At left is state representative Patricia Serpa.