SMALL BUSINESS
RESOURCE GUIDE

EMPOWER YOUR BUSINESS JOURNEY:
WHERE RESOURCES MEET SUCCESS!

Partnering for Progress
DARKE COUNTY
ECONOMIC DEVELOPMENT

OVERVIEW

How Does Darke County Economic Development Support Small Businesses

Darke County Economic Development stands at the forefront of catalyzing economic vitality within the community by spearheading initiatives tailored to uplift small businesses. In its unwavering commitment to fostering entrepreneurial growth. DCED has become a beacon of support, offering a multifaceted array of resources and programs that directly impact the success trajectory of small enterprises.

Darke County Economic Development serves as an advocate for small businesses, championing their cause in local and regional policy discussions. Through active engagement with policymakers, the organization ensures that the interests and needs of small businesses are considered and addressed in the broader economic development agenda.

Ultimately, Darke County Economic Development's dedication to small businesses extends beyond mere economic metrics. It is about nurturing a vibrant community of resilient and thriving enterprises that contribute not only to the local economy but also to the unique tapestry of Darke County. Through its multifaceted support system, Darke County Economic Development is sowing the seeds for sustainable growth, innovation, and prosperity for small businesses today and for the generations to come.

Seeking Resources

Today's financial institutions have put tighter, leaner lending practices in place, which can sometimes make it difficult for companies seeking new sources of financing and will likely require more carefully developed strategies. Often times, many smaller companies still overlook some of the best financing options available, especially in the federal tax and program areas. Many state and federal government programs remain an underutilized source for company financing. And, while some companies looking to participate in the global marketplace are also becoming more adept at accessing private sector sources of financing, others have yet to review the range of financial options available that may be applicable to their unique business circumstances or financial requirements.

Raising capital is one of the most basic of business activities, but for many small and medium sized businesses, it is often a complex and frustrating process.

INTERNAL CASH MANAGEMENT PRACTICE

The first step in any finance and investment strategy should be to analyze a company's internal cash management practices. This includes exploring relationships with vendors, suppliers, and customers in context of what the company wishes to accomplish and determining how existing assets can be leveraged to support the company's capacity and capital growth goals. Better efficiencies in the management of internal cash can result in a reduced need for additional outside financing. Moreover, better cash flow will improve a company's chances at obtaining
funding and at more desirable rates. Finally, having cash management as a guiding strategy will allow a company to have more choices in identifying external sources of financing that reflect the company's values, management style, and objectives. Areas that may offer opportunities to improve company cash flow and add to the supply of working capital include:

Accounting ManagementPractices

In order for a company to analyze its internal cash management practices, it needs to first verify that it is using accounting management practices that accurately measure and project the amounts of cash and cash equivalents entering and leaving the company. The practice of creating credible cash flow statements is critical to understanding how much cash is generated by the company's core products and services, and how much is being consumed in supporting core operations. Cash flow statements complement, but are distinct from income statement and balance sheets in that they do not include the amount of future incoming and outgoing cash that has been recorded on credit. A company can use the cash flow statements to confirm that there is enough money on hand to buy new inventory, internally finance new investments in equipment and labor, and channel any excess into the asset column of its balance sheet. Preparing accurate cash flow statements also allow a company to project future cash flow which is essential for accurate budgeting. All potential lenders require these cash projections before approving loans to ensure that cash is adequate to cover future loan expenses. Moreover, these cash projections conveyed in the statements can be used to help a company decide whether to seek outside funding, even when this decision may seem obvious based on the company's current
market activities.

Vendor & Supplier Financing

One way of realizing working capital is through supplier financing. Typically, suppliers and vendors provide goods with the understanding that payment is due within 30 days. However, suppliers may be willing to extend payment terms to 60, 90, or even 120 days. Vendors and suppliers frequently offer discounts for early payment and penalize slow paying companies with interest charges. In some instances, companies may be able to extend payment terms in lieu of discounts. In addition, some suppliers may enable a company to pay for specific items only as they are sold, with the supplier retaining ownership of goods until payment is received.

Customer Financing

In some cases, companies may have the option of negotiating a full or partial advancement from customers to help finance any preparation costs associated with taking on their business. Stepped or partial payments, which are payable at a defined stage of progress, are sometime possible in project oriented industries. Companies may also want to consider a deposit for all work to finance production costs associated with orders and to reduce the need for lines of credit. A deposit collected for work that involves special orders or services can also serve to prove that the customer is committed to the order and help avoid situations where the company needs to absorb costs resulting
from customer late or non-payment.

Inventory Financing

Inventory financing is a bank line of credit secured by a company's inventory.
For companies that maintain high levels of inventory to conduct ongoing business, this type of financing can free up cash tied up in inventory to purchase supplies for the next production cycle. Generally, lending institutions are not interested in gaining ownership of inventory and are more interested in assurances that the loan will be repaid.

Factoring Accounts Receivable

One option that is available for some companies with limited working capital
is to utilize a factor company to purchase at a discount invoices and accounts receivable. Good factoring companies can also provide credit management expertise. The advantage of factoring is that the company receives cash right away and can focus on the next sale while the factoring company waits & assumes risks for payment. The disadvantage is that factoring can be more expensive (sometimes 5% of the face value of the invoice) than other forms of finance and requires strategies to incorporate the factoring costs into pricing and invoicing or earning it back from suppliers (for goods that are exported, see the separate section on export factoring that appears later in this guide).

Renting or Leasing vs. Buying

Leasing equipment can be a better option for companies that have limited capital or need equipment that must be upgraded every few years. Leasing has the advantages of potentially freeing up equity capital for investment in other areas of greater return for a company and freeing up additional borrowing power In contrast, buying equipment can be a better option for an established business with cash or for equipment that has a long usable life. Although buying may necessitate a large initial capital investment, companies can usually reap significant tax benefits through depreciation. Since every company's situation is unique, any decision to buy or lease should be made on a
company-by-company basis, factoring in the company's cash reserves, the equipment's usable life, and tax advantages and strategies.

Differences Between Debt & Equity

Typically, financing is divided into fundamental types: debt financing and equity financing. When a provider of capital lends money to a user of capital, it is a debt transaction. When the provider owns a portion of the user of capital, it is an equity transaction. Growing companies usually require both debt and equity at some point of their development. Both forms of financing provide complementary opportunities for funding growth and companies should look to maintain a commercially acceptable debt to equity ratio. Lenders and investors look closely at the ratio of debt-to-equity in assessing whether a company is being operated in a sensible credit worthy manner. While the ratio of debt to equity varies considerably between industries, banks generally consider an acceptable debt-to-equity ratio to be between 1:2 to 1:1. In evaluating a loan application, lenders will also examine the ratio of a borrower's current assets to current liabilities and usually look favorably on a ratio of 2:1 or less.

Debt Financing

Debt financing can be either short term or long-term. In either case common lending principles apply. Lenders typically consider the risk of lending to borrowers on the basis of:

- Credit history
- Cash flow history and projections
- Collateral available to secure a loan
- Character of the borrower
- Loan documentation: financial statements, tax returns, and a business plan

Sources of Debt Financing

There are a variety of sources for debt financing; commercial banks, commercial finance companies, community lenders, and through U.S. Small Business Administration (SBA) sponsored programs. State and local governments have also developed programs, like revolving loan funds (RLFs), to encourage the growth of small companies. Commercial banks have traditionally been the primary source of loans to small companies. Banks have provided the majority of shortterm loans. The SBA Guaranteed Lending Program was established to encourage banks and financial institutions to make loans to small companies by reducing the lenders risk and leveraging funds available. Banks that participate in SBA's certified and preferred lenders programs also offer fast turnarounds on loan applications. Other sources of funding to fuel growth are the commercial finance companies that provide business loans rather than consumer loans. The primary use of commercial finance companies is to borrow money for the purchase of inventory, equipment, or other revenue producing assets. These types of lenders can be a useful resource, particularly if a company has adequate collateral available to support a loan. Commercial finance companies also do a great deal of accounts receivable and inventory financing.

EQUITY FINANCING

How It Works

Candidates for investment are typically introduced to strategic investors through banks, brokerage firms, professional advisors, other investors, or through a variety of professional and personal contacts Some firms specialize in niches, such as manufacturing companies who have a proprietary product and need capital for expansion, while others will consider most industries. A key factor in negotiating deals between a company and an investor is ensuring an alignment of interests. While some owners strive for family continuity, others hope to maximize their value to potential outside owners. Negotiations typically focus on the development of an ownership strategy that spans all of the remaining time frame of the owner's tenure as a shareholder and manager. Additional information is available through the Small Business Investor Alliance (SBIA) at www.sbia.org.

Strategic Investors

Strategic investors or investment groups provide equity capital to completetransactions that include: recapitalization and growth financing, management buyouts of private companies or divisions of a corporation, management buy-ins, family succession, and industry consolidations or other acquisition or ownership transitions.

Sources - Strategic investors may raise their investment funds from other affluent individuals, insurance companies, bank affiliates, endowment funds, or other investment groups.

Terms - Strategic investors look for companies that can be grown quickly or be made more efficient within a relatively short time, usually 3-7 years. Strategic investors may also seek to recoup their initial investment and make a profit by exiting during that time frame through the sale of the company to a strategic buyer, financial buyer, or in some cases an initial public offering.

Conditions - Strategic investors typically seek companies with good management. Many are willing to take a minority ownership position, with company management accountable to clearly defined performance benchmarks. In general, most look to existing management to run the daily operations while providing support and strategic planning at the board level.

Options for Business Owners

Recapitalizations - For many business owners, their financial net worth is often tied up in the company. A business owner can sell a portion of his or her equity to an investment group to realize liquidity or to reinvest the proceeds back in the business. The advantage of a recapitalization over an outright sale of the company may include: access to growth capital, continuing equity and partnership in future growth, liquidity, and additional management support in developing new products or markets.

Growth Financing - Access to beyond what a bank can provide in terms of capital, contacts, and expertise to enable a strategic acquisition or to support organic growth through expansion.

Generational Transitions - Retiring company owners may be able to transfer their ownership through an insider transaction with family members, partners, management, or employees while achieving liquidity.

Management and Employee Buyouts - Opportunities often exist for management or employees in private companies or divisions of public companies to buy out ownership and resources to support continued company growth after the transaction.

Buy-out or Sale - Company owners may seek to maximize their liquidity and financial security through an outside sales transaction with investors who are interested in assuming company ownership and management responsibilities. Sales can be timed and planned to ensure maximum value and liquidity for the owners.

Angel Investment

Angel investors are important participants in the informal, unregulated market for small business equity capital. While no standard angel profile exists, the typical angel is a successful entrepreneur who has sold his or her business and is interested in assisting new businesses in their immediate community or a corporate leader or professional. They often maintain an interest in a particular business sector and are looking for opportunities to invest where they have the chance to apply their acquired skills to help others grow successful businesses. They are generally not interested in controlling a business, although many want to be more than passive investors and have the chance to contribute their experience and skills in an advisory role. This attribute can be a distinct advantage over using other types of financing, as it can offer strategic advice and valuable personal connections to assist a business in accessing potential markets, new customers, or favorable supplier opportunities. This combination of capital, management support, industry knowledge and relationships is often referred to as "smart money" and can be the key to shaping a company's future success.

Finding a Business Angel Investor:
The chances of connecting with a business angel investor will be greater if the following profile of the "sophisticated" business angel is kept in mind:

• Has a net worth in excess of $1,000,000 and meets the legal definition of an "accredited" investor.
• Can invest $20,000 - $150,000 of their own money but may participate in a syndicate of other investors to boost the total investment amount possible by multiples (with syndicate rounds between $500,000 and $2 million).
• Is typically "homegrown" and prefers to stay close to home, which is a distinct advantage for "flyover" locations outside major population centers.
• Has previous experience in the industry and can help open new distribution channels, broaden product and service offerings, and locate suppliers and customers.
• Enjoys advising companies and likes to be part of the action.
• Is comfortable being a minority rather than a majority investor, unlike venture capitalists.
• Understands the riskiness of investing and therefore looks for an overall portfolio that will bring a return on investment, but accepts a variety of losses and strong returns in their investment portfolio.
• Expects to stay invested for 5-7 years but may be open to cashing out earlier or being patient for a longer period.
• Acts independently, but also in concert with other angels to share information about possible investments and pool resources (with many participating in formal groups of angel investors).
• Refers deals to other private investors even if the angel has chosen not to invest.

Finding a Business Angel Investor Cont.

Not All Angels Are Alike

Diversity among angel investors is wide. Active experienced angel investors tend to have a targeted industry focus, while passive angel investors may not have an industry focus. While many angels are exclusively focused on early stage companies with the potential for high growth, others will consider moderate growth and existing niche businesses. Angels generally rely on a more subjective evaluation and their due diligence may be less rigorous than venture capitalists. Many base their decision to invest on their "gut" or personal assessment of the company, the product, and the market. Therefore, each investment deal tends to be different. It is also important to recognize that there is a wide variety of sophistication among angels, with a portion of them not adding value to the companies in which they invest or even hurting any future chances of their companies to grow and receive additional capital. Places to Look - Finding Angel Investors may be a lengthy process that can often consume a great deal of time. Some options are:

Online Resources:

- Angel Capital Association
  www.angelcapitalassociation.org

- Angel Resource Institute
  www.angelresourceinstitute.org

Professional Networks:

Getting introductions to angels through professional networks of other business owners, accountants, bankers, lawyers, or friends is often the best way identify business angels. Membership in business or civic organizations can offer companies more opportunities for the type of introductions to investors that can lead to an investment deal.

FEDERAL & STATE LOAN PROGRAMS

Note on SBA Financing Programs

The SBA offers a variety of financing options through a loan guaranty program with commercial banks and lending institutions. The SBA does NOT provide direct loans or grants to start or grow a business. However, the SBA guaranty programs, by sharing the risk with the lender, do reduce the probability of a loss to the lender and thereby make it easier for the lender to extend credit. For small businesses that are unable to borrow on reasonable terms through conventional lenders, the SBA guaranty program can make the difference in successfully securing a loan.

Prospective Borrowers Begin By Visiting A Local Financial Institution

The lender reviews the company's business plan; company financial records, or projections if the company is just beginning operations, and; specific plans for the use of the borrowed funds. Participating lenders have all the necessary information about the SBA's loan guaranty programs and the required SBA application forms. The prospective borrower does not need to contact SBA. If the lender determines that the business meets SBA and the lending institution's eligibility and credit requirements, the lender can then suggest which of the SBA guaranty programs would best suit that loan.

SBA 7(a) Loan Program

This is the SBA's primary loan program where the SBA guarantees major portions of loans made to small businesses by private lenders. This program is intended for For-profit businesses with: good character, fair credit record; sufficient management expertise; a feasible business plan; adequate equity in the business – typically a minimum of 20%; sufficient collateral; and adequate cash flow to repay debt from historical or projected cash flow. The fund may be used for business acquisition or start-up, purchase or remodeling of real estate, leasehold improvements, equipment purchases, working capital, and inventory. No debt refinancing. Term loans only. Private lenders provide the loan. Typically, the Small Business Administration (SBA) will guarantee up to 75% of loans (or up to 85% for loans less than $150,000).

SBA 504 Loan Program

The 504 Loan Program provides growing businesses with long-term fixed-asset financing with a minimum equity injection from the company being financed. Funds may be used for land acquisition, building construction, purchase of existing buildings, site improvements, renovation, restoration, and purchase of major equipment. Maximum 504 Loans can reach $4 to $5.5 million depending on the type of business, have fixed interest rates, and loan terms of 10 to 20 years.

SBA Express Loan Program

Gives select lenders the authority to expedite applications for the SBA's most common loan type-the 7(a) loan. Qualifying businesses may enjoy a turn-around-time of no more than 36 hours, making this a quick loan processing service that can provide borrowers with up to $350,000 for a term loan or a revolving line of credit. Funds may be used as term loan or as a revolving line of credit; some limitations on real estate and construction. A private lender provides the loan. SBA guarantees up to 50% of the loan.

GrowNOW

GrowNOW is a partnership between eligible banks and the Ohio Treasury. The program enables small business owners to receive up to a 3% interest rate reduction on new or existing small business loans for two years with the opportunity for renewal. Small business owners must commit to the creation or retention of at least one full-time job or two part-time jobs in the State of Ohio for every $50,000 borrowed, up to $400,000.

Micro Loans

The Microloan program provides loans up to $50,000 to help small businesses and certain not-for-profit childcare centers start up and expand. The average microloan is about $13,000. Microloans can be used for:

- Working Capital,
- Inventory or supplies,
- Furniture or fixtures,
- Machinery or equipment.

MINORITY & WOMEN-OWNED BUSINESS ASSISTANCE

Minority Business Assistance Center

Minority Business Assistance Centers (MBAC) provide a variety of business development services to new and existing business owners. Each MBAC is staffed with certified business counselors that assist minority entrepreneurs with loan and bond packaging services, management, technical, financial and contract procurement assistance. Minority Business Assistance Centers provide minority firms with the following services:

- Accounting assistance
- Business management counseling
- Completing federal, state and local certification applications
- Contract procurement assistance
- Estimating/Bidding assistance
- Identifying local resources
- Loan packaging assistance
- Marketing plan development
- Referrals to financial assistance programs

Services offered by the MBAC offices are provided to new and existing business owners free of charge.

General Contact Information

Greater Dayton Minority Business Assistance Center
371 W. Second St., Suite 100,
Dayton, OH 45402
Phone: (937) 333-1002

http://daytonhrc.org/businesstechnical-assistance/minority-businessassistance-center/

Minority Business Development Agency

The Minority Business Development Agency (MBDA) is part of the U.S. Department of Commerce. It is the only federal agency created specifically to support the establishment, growth and global competitiveness of U.S. businesses that are minority-owned. For more information, visit their website at https://www.mbda.gov/

Minority Business Development Agency's Ohio Center - The U.S. Department of Commerce Minority Business Development Agency's (MBDA) mission is to foster the growth and global competitiveness of U.S. businesses that are minority-owned.

MBDA accomplishes its mission by facilitating transactions through referrals, business consulting, contract bid/proposal preparation, loan packaging, and/or matching contract opportunities and capital sources (i.e. loans, equity, bonding, etc.).

MBDA helps clients to achieve their growth objectives by connecting them with prospective strategic partners through business-to- business matching, teamingarrangements, joint ventures, or other strategic advisory services.

https://ohiombdabusinesscenter.com/
1240 Huron Rd E, Suite 40
Cleveland, OH 44115
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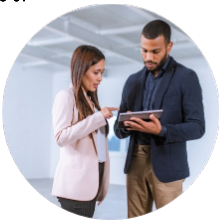
Ohio Micro-Loan Program – Helps stimulate the growth of new (at least one-year-old businesses generating revenue and positive cash flow) and existing state-certified MBE and WBE businesses with micro-loans at 0% interest. The minimum loan is $10,000 up to a maximum of $45,000.

Minority Direct Loan Program – Provides funding up to $1.5 million for eligible projects such as land, building, machinery, or equipment purchases at rates 1.5% interest for the state's portion of the loan.



Collateral Enhancement Program – Provides lending institutions with cash collateral deposits to use as additional collateral support for loans made to eligible small businesses.

Women's Business Enterprise Loan Program – Provides loans to certified and non-certified women-owned businesses at or below market rate, at either 1.5% or 3% interest. The minimum loan is $45,000 up to a maximum of $500,000. Eligible uses of funds are business debt refinances, fixed assets, such as land, building, equipment and machinery, remodeling and renovations.

Minority Business Bonding Program – Provides surety bonds up to $1 million to approved state-certified minority business enterprises (MBE's).

Ohio Capital Access Program – Provides lending institutions with cash deposits to secure bank loans of up to $350,000 for land, building, machinery, or equipment, or it can also support working capital needs, such as inventory or payroll, up to $250,000.

ENTREPRENEURSHIP ASSISTANCE

Entrepreneurs' Center (EC)

The Entrepreneurs' Center (EC) is dedicated to supporting all Miami Valley entrepreneurs. From small business, to high-tech, to research commercialization, we offer critical, free, game-changing resources to start-ups and scale-ups.

Resources

- The Small Business Development Center (SBDC) at the EC provides free, confidential consulting and training to small business owners and potential entrepreneurs in Dayton and the MiamiValley. We help entrepreneurs make sound decisions for the successful operation of their business.

Space Solutions

- We provide affordable solutions at The Hub for more private spaces with community accommodations, such as a kitchenette and bathrooms.

Entreprenuers Center

It is open to the public and home to Entrepreneurs' Center, Launch Dayton, Miami Valley Small Business Development Center, Greater West Dayton Incubator and more, so folks can walk in to get connected to a resource provider. The Hub also offers coworking and office space for business owners who need conference rooms etc. The Ohio Small Business Development Center (SBDC) at the Entrepreneurs' Center helps people start, sustain and grow their businesses.

https://tecdayton.com/
937-210-9473
info@tecdayton.comwork

The Ohio Small Business Development Centers Network

This is the premier technical assistance program for Ohio's small businesses. The network is provided through a partnership between the Ohio Development Services Agency, the U.S. Small Business Administration & selected Ohio chambers of commerce, colleges and universities, and economic development agencies. Today, these federal, state, and local partnerships contribute more than $10 million in cash and resources to the support of small business development in Ohio.

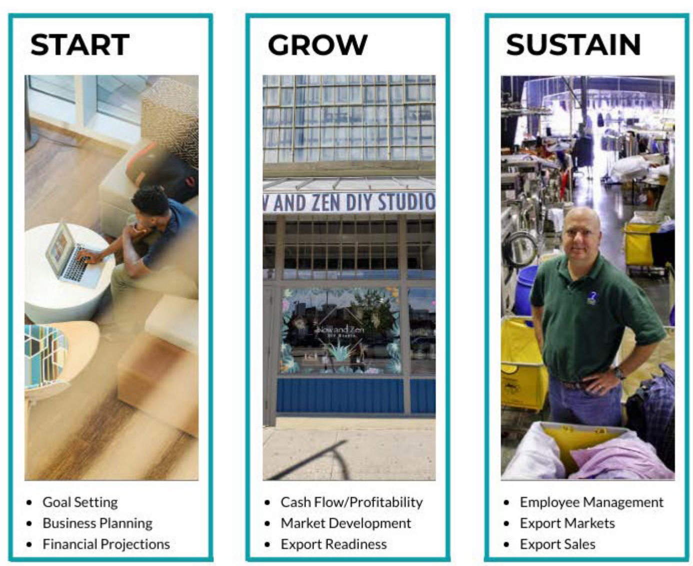
There are 28 funded SBDCs throughout Ohio staffed by highly trained, Certified Business Advisors®. Centers provide no-cost, confidential, in-depth, one-on-one counseling for businesses that will or currently employ under 500 employees. Additional services include training, e-counseling, quality-based assessments, technical assistance, loan packaging guidance, and information on federal, state, and local regulations and programs.

The Entrepreneurs' Center

ESP was created by the Ohio Development Services Agency as a program offering of the Ohio Third Frontier. The goal of the program is to increase technology-based entrepreneurship and commercialization outcomes in the State of Ohio, ultimately creating jobs and attracting investment to the state. Each ESP represents a coordinated network of services that are accessible to technology-based entrepreneurs. The ESP approach integrates deal flow, entrepreneurial support, and capital to support & advance technology-based entrepreneurs.

Entrepreneurs who are located in the Dayton Region (Champaign, Clark, Darke, Greene, Miami, Montgomery, Preble, or Shelby County) interested in being considered for the ESP services can contact us 937-210-9473 or email us at info@ecinnovates.com.

Miami Valley SMALL BUSINESS DEVELOPMENT CENTER
Entrepreneurs' Center



BUSINESS START-UP CHECKLIST

Ohio | Small Business Development Centers

Business Start -Up Checklist

- [ ] **Personal evaluation**
  - Why do you want to start a business? What skills do you have? Do you have the support of your family? How much capital do you have?
- [ ] **Write a business plan**
  - Form goals and objectives, project revenues & expenses & analyze the industry
- [ ] **Obtain start-up capital**
  - Savings
  - Loans
- [ ] **Select an accountant and attorney**
  - Form relationships before you need them
- [ ] **Set up a legal business structure**
  - LLC, Name registration, etc. (Ohio Secretary of State)
- [ ] **Obtain Federal Tax Identification Number (EIN)**
  - On-line at https://sa.www4.irs.gov/modiein/individual/index.jsp
- [ ] **Create Operating Agreement**
  - Template: https://sbdctec.com/wp-content/uploads/2018/09/ohio-llc-operating-agreement-template.docx
- [ ] **Open a business bank account using EIN**
- [ ] **Obtain vendors' license if you will be selling taxable goods or services**
  - (https://ohio.gov/business/resources/ohio-business-gateway)
- [ ] **Obtain necessary business licenses and permits**
  - Go to 1st Stop Business Connection business.ohio.gov for more info
- [ ] **Obtain business insurance**
- [ ] **Set up bookkeeping**
- [ ] **Establish a web presence**

Contact SBDC
https://sbdcec.com/
937-210-9460
kwoodbury@ecinnovates.com

POWERED BY SBA U.S. Small Business Administration

DARKE COUNTY ECONOMIC DEVLOPMENT

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Greenville, OH 45331

Telephone: (937) 548-3250
Fax: (937) 547-8446

https://www.darkecounty.com/

Director: Mike Bowers
Email: mbowers@darkecounty.com

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Email: delsas@darkecounty.com

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Email: tschilling@darkecounty.com

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Email: mnealeigh@darkecounty.com