

SMALL BUSINESS ECONOMIC RECOVERY AND FINANCING RESOURCES

A WEBINAR FOR MINNESOTA CHAMBER MEMBERS
MONDAY, MARCH 23, 2020

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CHAMBER OF
COMMERCE**

GROWING MINNESOTA

WELCOME



DOUG LOON
PRESIDENT

MINNESOTA CHAMBER OF COMMERCE

**MINNESOTA
CHAMBER OF
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TODAY'S SPEAKERS



Doug Loon
President

Minnesota
Chamber of
Commerce



Twila Kennedy
*Economic
Development
Specialist*

U.S. Small Business
Administration



Brian McDonald
*Acting District
Director, Minnesota
District Office*

U.S. Small Business
Administration



Patrick E. Donohue,
CFA
Managing Partner

Hill Capital
Corporation



Laura Oberst
*Executive Vice
President and Head
of Central Region
Commercial Banking*

Wells Fargo &
Company



Meghan Hormann
*Senior Vice
President
Central Area Sales
Manager
SBA Lending*

Wells Fargo &
Company



Twila Kennedy
*Economic Development
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U.S. Small Business
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*Acting District Director,
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SBA Economic Injury Disaster Loans



U.S. Small Business
Administration

SBA's Disaster Declaration Makes Loans Available Due to the Coronavirus (COVID-19)

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).



Administrator Jovita Carranza

SBA's Working Capital Loans are Different from Other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: DisasterLoan.sba.gov
- There is no cost to apply.
- There is no obligation to take the loan if offered.
- The maximum unsecured loan amount is \$25,000.
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.

Economic Injury Disaster Loan Eligibility

Am I eligible to apply?

SBA's Economic Injury Disaster Loans (or working capital loans) are available to **small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations**

This includes:

- Businesses directly affected by the disaster
 - Businesses that offer services directly related to the businesses in the declaration
 - Other businesses indirectly related to the industry that are likely to be harmed by losses in their community
- (Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.)

Small Business Eligibility

What kinds of small businesses can apply?

Examples of eligible industries include but are not limited to the following:

- Restaurants, retailers, manufacturers, sports vendors, owners of rental property, souvenir shops, travel agencies, hotels, recreational facilities, charter boats, wholesalers, etc.

How do I know if I am “small business”?

Visit: <https://www.sba.gov/document/support--table-size-standards>

Private Non-Profit Eligibility

What kinds of non-profits may apply?

Nursing homes, food kitchens, museums, educational facilities, senior citizen centers, daycare centers, playhouses, community centers, shelters, rescue organizations, associations, etc.

An eligible private non-profit organization is a non-governmental agency or entity that currently has:

(1) An effective ruling letter from the U.S. Internal Revenue Service, granting tax exemption under sections 501(c), (d), or (e) of the [Internal Revenue Code of 1954](#)

OR

(2) Satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.

Ineligible Entities

What are some of the businesses that are ineligible for an Economic Injury Disaster Loan?

- Agricultural Enterprises -If the primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance. [Please contact USDA or the State of Minnesota for agriculture-related assistance.](#)
- Religious or Charitable Organizations and government-owned concerns
- Businesses considered hobbies
- Gambling Concerns - more that 1/3 of annual gross revenue from legal gambling activities.
- Speculative real estate businesses

SBA's Economic Injury Disaster Loan Terms

How much can I borrow?

- Eligible entities may qualify for loans **up to \$2 million**.
- The interest rates for this disaster are **3.75 percent for small businesses** and **2.75 percent for nonprofit organizations** with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

How can I use the loan funds?

- Fixed debts
- Payroll
- Accounts payable
- Other bills that could have been paid had the disaster not occurred



The loans are not intended to replace lost sales or profits or for expansion.

SBA's Economic Injury Disaster Loan Terms

What is the criteria for a loan approval?

Credit History

Applicants must have a credit history acceptable to SBA and is assessed in a case by case basis.

Repayment

SBA must determine that the applicant business has the ability to repay the SBA loan.

Collateral Requirements

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.

Preparing to Apply

Gather your documents:

- ✓ Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- ✓ Complete copies of the most recent Federal Income Tax Return, these will only be required for loans over \$500,000.
- ✓ Schedule of Liabilities (SBA Form 2202).
- ✓ Personal Financial Statement (SBA Form 413) (Other Information may also be requested)



Preparing to Apply

Other information that may be requested:

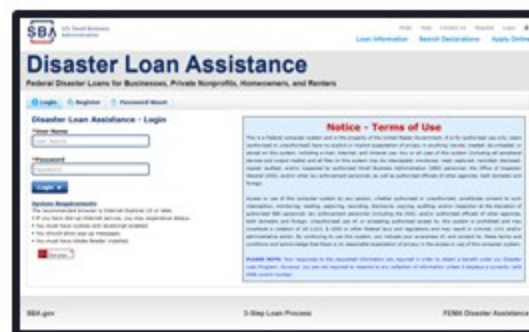
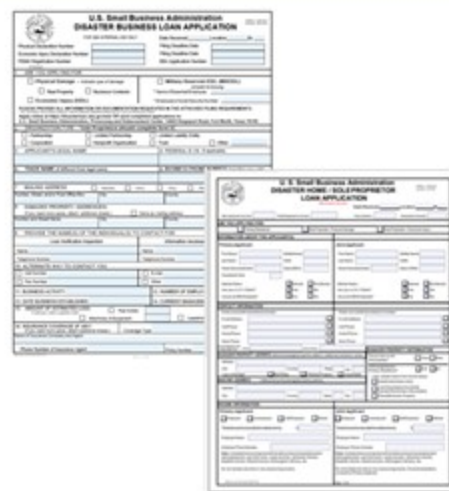
- ✓ Complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates (see filing requirements for more information).
- ✓ If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year .
- ✓ A current year-to-date profit-and-loss statement .
- ✓ Additional Filing Requirements (SBA Form 1368) providing monthly sales figures. [\(This is especially important for Economic Injury Disaster Loans.\)](#)

Ready to Apply

1) Have all business/non-profit financial and tax documents on hand

2) Complete the SBA loan application

- Hard-copy SBA Form 5 or SBA Form 5C for sole proprietorships
- **OR** Apply online for auto populating SBA forms (using the Edge browser)



TIP: Download the SBA hard-copy forms to prepare for the online form submission and make sure you save your application online as you go!

**Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.*

Options to Apply



1. Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at <https://disasterloan.sba.gov/ela>.
2. Paper loan applications can be downloaded from the link above. Completed applications should be mailed to:
U.S. Small Business Administration
Processing and Disbursement Center
14925 Kingsport Road, Fort Worth, TX 76155
3. Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to disastercustomerservice@sba.gov.

Tips To Submit Your Application



The biggest reason for delays in processing is due to missing information.

- Make sure to complete all filing requirements before submitting the application and forms.

Can I change my loan amount once I have submitted an application?

- If more funds are needed, applicants can submit supporting documents and a request for an increase.
- If less funds are needed, applicants can request a reduction in the loan amount.

What if I am denied a loan?

- If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.

Tips To Submit Your Application



Things to keep in mind:

- Many of the questions you have can't be answered until we have your application.
- If you don't see the Minnesota declaration, you may need to clear your browser history.
- Credit Elsewhere in the case of the EIDL loan has to do with the business owner's ability to pay on their own.
- Personal Guarantees will be required.
- You will need to call customer service for error messages.
- After submission, you will be contacted by a loan officer to let you know if they need more documents to complete processing.

Assistance From SBA Partners

No-cost technical assistance, consulting, and mentorship from any of [SBA's Resource Partners](#):

Small Business Development Centers (SBDCs)

SCORE

Women's Business Centers (WBC)

Veteran's Business Outreach Centers

For the nearest office, visit: <https://www.sba.gov/local-assistance>

SBA Minnesota District Office

Minneapolis.mn@sba.gov

Sign up for updates at www.sba.gov/updates

Follow us on Twitter @sba_minnesota

Any Questions?



More information concerning
SBA and its programs

Minneapolis.mn@sba.gov | 612.370.2324

disastercustomerservice@sba.gov | 800-659-2955
(800-877-8339 for the deaf and hard-of-hearing)

RECESSION TACTICS FOR EMPIRE BUILDERS



Patrick E. Donohue, CFA
Managing Partner

Hill Capital Corporation

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Recession Tactics for Empire Builders

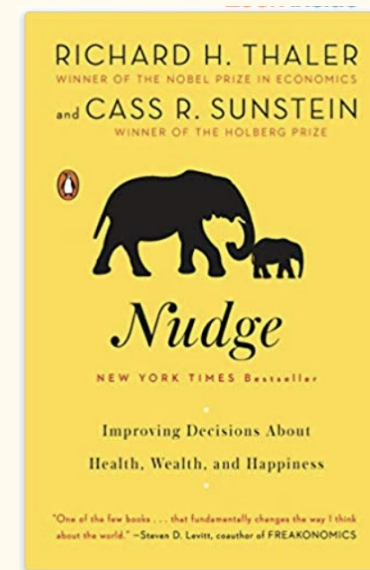
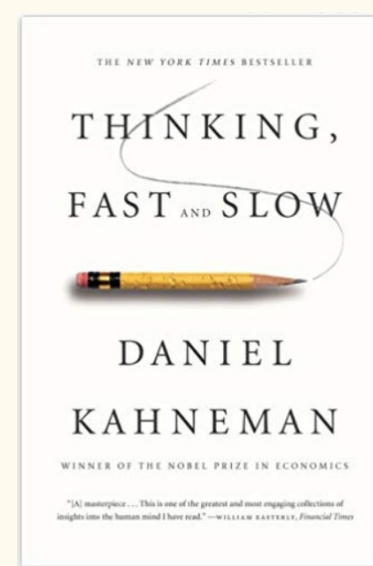
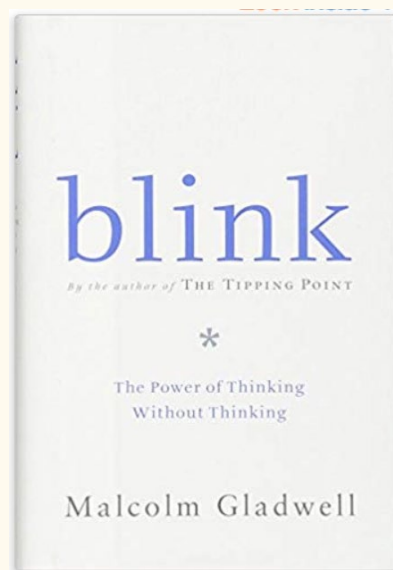
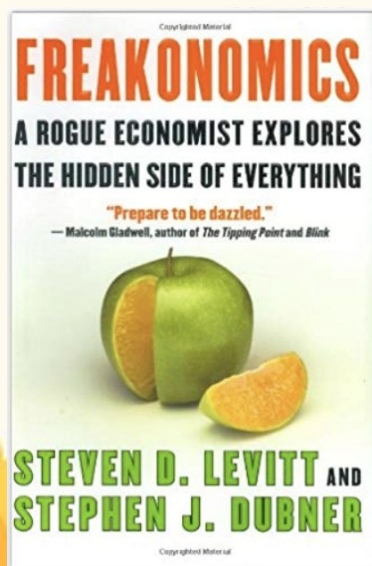
Patrick E. Donohue, CFA

Managing Partner, Hill Capital Corporation

Evolution to Efficient Decision Making

From Instincts >> to Data Only >> to Data + Intuition

Utilize mental models systematically to reduce complexity to survive and thrive



Evolve to Superior Money Decisions



Go

W.E.S.T.

Watch. Execute. Survive. Thrive.



W.E.S.T - Watch

Small habits to increase awareness of money

Check financial accounts

Analyze cash in and out

Journal findings



W.E.S.T - Execute

Start with “Tiny” Habits

Build Repeatable Processes

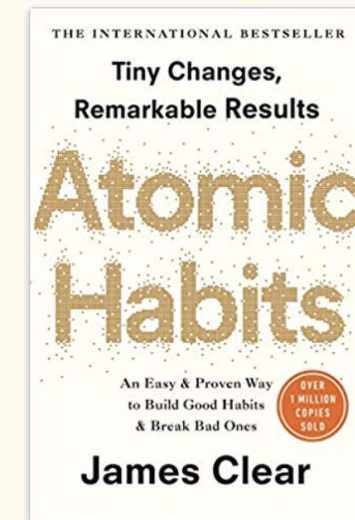
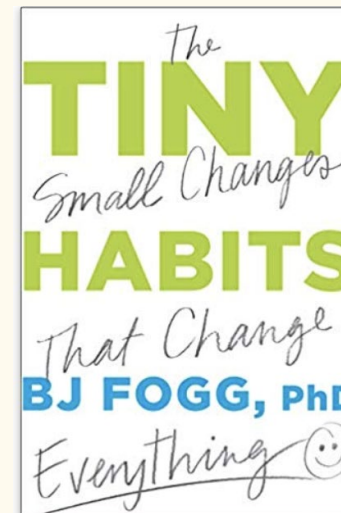
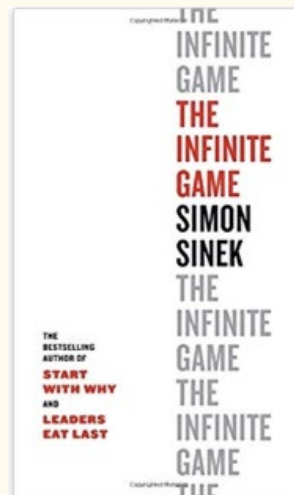
Financial Forecast - monthly for 24 months and rolling 13 weeks

Expand Network

Manage Cash and its Sources

Cultivate Capital Relationships

Build Trust



W.E.S.T - Survive

Capital (expanded in coming slides)

Community

Cash Management



CEO Roundtable®



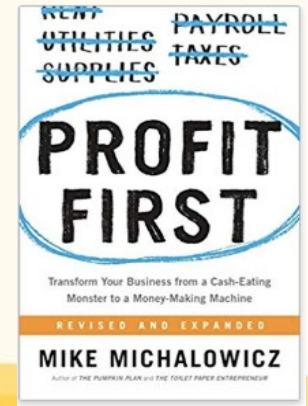
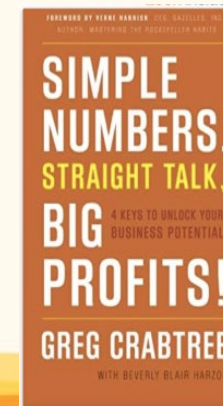
Accelerate the Crisis. Cut costs. Communicate with Stakeholders

Have tough conversations now. Work with vendors and suppliers

Collect indications of interest from capital sources

10% Profit = Cash Breakeven

Core Capital = 1x to 3x monthly expenses



W.E.S.T - Thrive

Invert any problems

Forecast, not budget. Forecast = Roadmap to building capital and enterprise value

Build, maintain and utilize relationships with capital providers

Utilize community, especially peers

Improve your underlying economic model to increase cash conversion

Build an acquisition list for 1) Opportunistic Growth 2) Market Intelligence 3) Exit Strategy

Utilize Capital above Core Capital Target to invest in Growth!



Capital: Sources and Timing

Working Capital

- Manage cash and cut unnecessary expenditures
- Terms with suppliers and vendors (accounts payable)
- Get paid quicker (accounts receivable) by negotiating discounts
- Pre-payment on products / services

Current banking and community economic development

Pre-existing relationships that can provide capital

New investor relationships - individuals

New investor relationships - institutions (eg. private equity, venture capital)

Now

1 to 12
weeks

2 to 24
months

Capital: Costs for every \$1

Working Capital - Free to \$0.50

Banks and related - \$1.15 to \$1.30

Pre-existing relationships that can provide capital - \$1.15 to \$3.00

New relationships with individual investors - \$1.50 to \$4.00

Alternative lenders - \$2.75 to \$11.00

New relationships with institutions (eg. venture capital) - \$10 to \$100



Capital: Formation

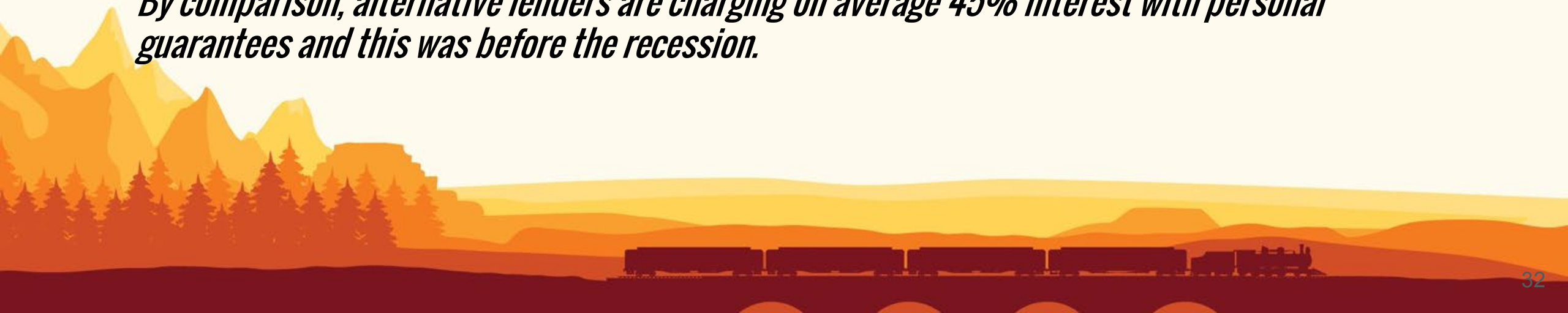
Build a list via peers, membership organizations, economic developers, known investors

Connect with new relationships. *Start immediately and be persistent*

Structure that is clean and easy for new investor to understand:

- Note (investment to be paid back over a period of time, eg. 5 years)
- Prepare to pay 15 to 35% (premium for illiquidity and compete with stock market)
- Consider offering equity (warrant) as bonus if company is sold

By comparison, alternative lenders are charging on average 45% interest with personal guarantees and this was before the recession.



Execute with Confidence

Lead with data, execute with intuition

Peer insights

Mental frameworks (W.E.S.T)

To yield timely decisions that have good odds of positive outcomes



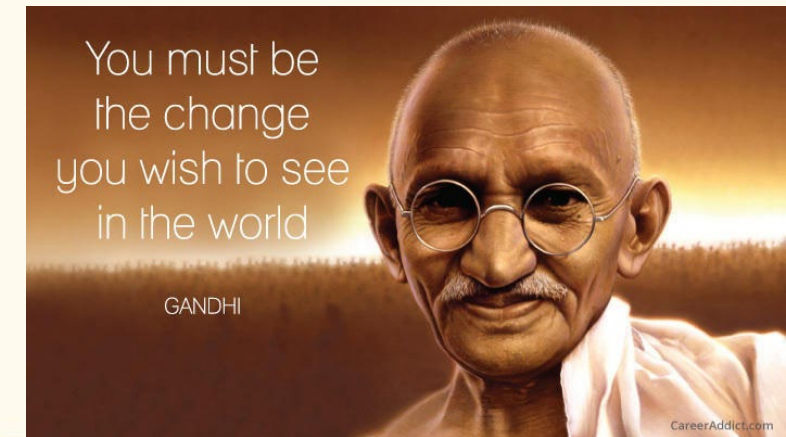
Summary

“Go W.E.S.T., the country needs people of your ability!”

Eliminate the Emotional Burdens of Money

Utilize Effective Capital for Breakout Growth

Pay it Forward! Share learning moments of your money journey with fellow Entrepreneurs





Connect with us - happy to help

Patrick@HillCapitalCorp.com

(651) 452-8448

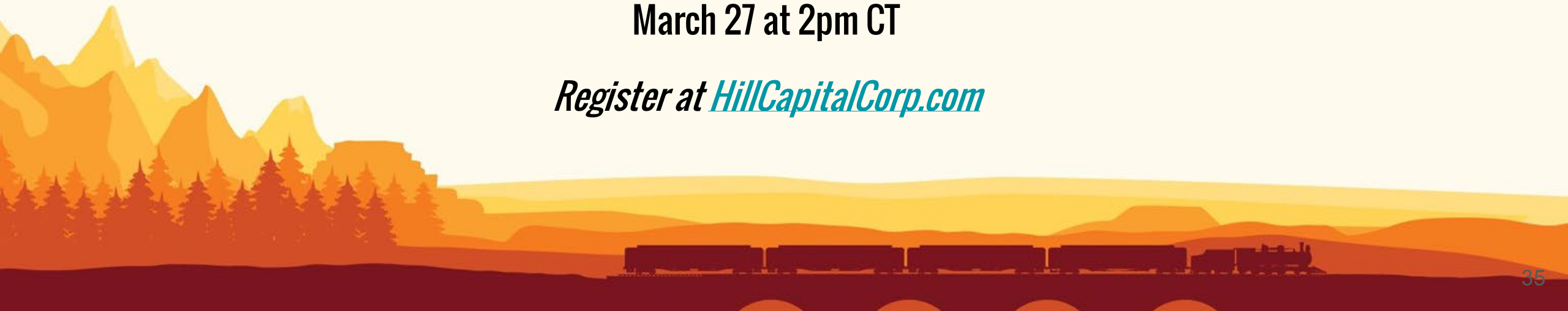
Upcoming Free Webinars on “Recession Tactics for Empire Builders”

March 25 at 3pm CT

March 26 at 10am CT

March 27 at 2pm CT

Register at HillCapitalCorp.com





Laura Oberst

*Executive Vice President
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QUESTIONS?

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