



NECOG Development Corporation

RLF Quarterly Newsletter

April 2010

Qualifying for a Business Loan

Have you ever wondered about starting your own business or where to get the necessary funds to get started. Here are some items to consider when looking for a small business loan. By no means is this an all inclusive list of what a lender will look at in considering your request.

Personal Credit History – Do you have a good personal credit history. Having a good credit history is a factor in lenders' decisions. A good credit history is an indicator of who is responsible with their finances and most likely to repay a loan. If you have blemishes on your report it does not mean that you are automatically disqualified for a loan. If you are capable of sufficiently explaining the situation and repairing your credit a lender may be willing to take the risk.

Personal Guarantee – Lenders, in most cases, will require that you and your partner personally guarantee a loan. They may also seek a personal guarantee of another party, such as a relative. All persons that guarantees are sought from will be asked to provide a personal financial statement which includes the persons assets and liabilities.

Income Tax Returns – Generally a lender will want to see the most current three years of tax returns both for an individual and the business when considering a loan. Lenders want to see that both the obligation of filing and paying taxes is met.

Positive Net Worth – Net worth is your total assets minus liabilities. A positive net worth can be an indicator that your business has the capacity to take on additional debt.

Ability to Repay – You will need to provide proof, projections and/or historical data, that your business will be able to repay the loan. That is, you should be able to show that the business can generate enough profit to repay the debt.

Ability to Carry Additional Debt – If there is too much debt, businesses will find that their profits are directed at repaying loans rather than supporting daily operations and building retained earnings that can support future growth. Lenders typically like to see a debt to net worth ratio of 4-to-1 or less. This ratios is the total liabilities divided by equity.

Collateral – The more available collateral (assets that are unencumbered) the more favorably a lender will look upon an application. This is often a major reason that funds are denied. Both business and personal assets can be considered collateral. Many times both are required to secure a loan, especially when first starting a business.



Business Tax Seminar

April 29, 2010
Sales Tax: 9:30 am- 12 pm
Excise Tax: 1:30 pm – 4:30 pm
SD Department of Labor Building
2nd Floor Conference Room
420 S. Roosevelt St.
Aberdeen, SD 57401

Basic Sales Tax

- How & when to apply for a tax license
- Exemptions from sales and use taxes
- Exempt entities
- Use taxes
- Municipal taxes
- Purchases for resale
- How to file sales tax returns electronically

Basic Contractors' Excise Tax

- How & when to apply for excise tax license
- Projects for qualifying utilities and gov'ts
- Prime and subcontractors
- Sales and use tax
- Owner-furnished materials
- Reservation projects
- How to file excise tax returns electronically



NECOG Development Corporation is an Equal Opportunity Lender, Provider, and Employer.

We can never be too careful with our identities. In the last few weeks, I've received a number of reminders from organizations on how to be vigilant with my identity and about possibly frauds and scams. With that in mind, I thought to republish this article from one of our previous newsletters.

SCAMS

Scams, fraud, spam, and all kinds of other junk are received by some of us on a regular basis.

Scams can include:

- Employment Scams
- Phishing (e-mail scams)
- Tax Fraud
- Telephone Scams
- Sales Scams
- ATM Scams
- Identity Theft

If you're like me, sometimes it can seem a little overwhelming. So what can one do about it?

With today's technology one route that can be taken, if you question the authenticity of any form of offer, is to check it out on the web. Here are a couple of creditable sites out there, including: www.snopes.com and www.scambusters.com that one can use to do a little self investigation. These are just a couple of suggestions and not all sites one may visit are legit.

There are a number of other things one can do. If it is a call from your bank or credit card hang up on them and call them back (at a phone number you have on record). The U.S. Securities and Exchange Commission are also a good source for individuals to use and has some of the recent scams listed at <http://www.sec.gov/investor/pubs/cyberfraud.htm>.

No matter what you do, you should NEVER give out your account or personal information out over the web or telephone. It is always better to verify who you are dealing with than being taken advantage of because you were trustful.

Remember that these thieves or scammers are very smart and talented. So if you do get scammed (as my wife recently did) contact your bank or credit card company directly and take appropriate action.



Advantages / Disadvantages Of Starting Your Own Business

A lot of us think of starting our own business. Most of that time, we're only thinking about the advantages of being our own boss. How often during that time do we consider the disadvantages of being a business owner. Listed below are few of the advantages and disadvantages of owning your own business.

Advantages

- Seeking and setting personal goals
- More control over one's life
- Increased personal fulfillment
- Working independent of supervision
- Enhanced creativity
- Controlling working conditions
- Remaining in a community/town
- Being your own boss
- Having pride in company ownership
- Commute to and from work
- Meeting family obligations
- Working flexible hours
- Reduced overhead cost

Disadvantages

- Need to know a lot of information
- Risky to operate
- Differentiate between business time and personal time
- Lack of employee benefits
- Comprises many different roles
- Lack of job security – depends upon you
- Long & hard hours (at least in beginning)
- Zoning if home bases business
- Home is no longer refuge from work
- May find working for self or at home difficult
- Family/friends may not take seriously
- Family conflicts can arise
- Use of space
- Find it difficult to stop working or not to over commit

If you're still interested in starting your own business, don't forget to weight both the advantages and disadvantages of being a business owner.



QuickBooks

Small Business Development Center (SBDC) will be offering QuickBooks workshops. QuickBooks is a great way to collect your information AND have it readily available during the year to help you better manage your businesses. Whether you are just considering an accounting software package or are currently using QuickBooks, you will find helpful information in these classes.

The Basics: Designed for those considering a computer-based accounting system or those QuickBooks users who are using it in their business but feel they would benefit from the topics covered (Chart of Accounts, Items, Customers, Vendors, Invoicing, Check Writing, Bills, and Reports).

Inventory & Payroll: This training will provide an overview of how inventory and payroll are processed and the basic concerns to be addressed when setting up and using these features. Topics covered include Inventory Items, Inventory Types, Purchase Orders, Payroll Items, Payroll Checks, Payroll Liabilities, and Reports.

Register today, slots fill up fast!

QuickBooks

DATE: Wednesday, May 5, 2010

TIME: **The Basics:** 9:00 am to 12:00 noon

Inventory and Payroll: 1:30 pm to 4:00 pm

LOCATION: Smart Center, Aberdeen
416 Production Street

(1/2 mile north of RDO Equipment)

FEE: \$40 per person for one class

\$70 per person for both classes

Late fees apply after April 26th

Register Now

Registration can be done by contacting the SBDC in Aberdeen at:

Email: kweaver@midco.net

Phone: (605) 626-2565



Made in South Dakota went through some changes in 2009. If you're not familiar with Made in South Dakota, it is an e-commerce web site designed to showcase products that are made in South Dakota.

There are over 500 vendors that use the Made in South Dakota program. While food products continue to be the number one seller, there are all types of products from apparel and arts to home décor and jewelry.

The change to the Made in South Dakota web site, www.madeinsouthdakota.com, was the removal of the shopping cart feature. Now the web site puts potential customers in direct contact with the artist and vendors for sales. Their web site still exist, but now serves as a referral system complete with; links, contact information, and product descriptions and photos.

As a South Dakota vendor, you have the opportunity to become a member of Made in South Dakota. Benefits of being a member include:

- A dedicated staff member – one point of contact, to answer all your questions and address concerns
- Visibility within their web site
- There are no startup cost to join

If you would like more information on Made in South Dakota or to become a member please log onto www.madeinsouthdakota.com and click on "Become A Member".



Small Town Stores

By Rich Galbraith, RLF Manager

As a kid growing up in a small town (pop. 94) whose one block of main street consisted of a post office, fire hall, café, bank, gas station, city park, an apiary, a couple of empty building, and the grocery store, little did I know how important a grocery store was to main street.

Today this small town is a little different. Gone are the empty buildings... they been replaced by empty lots. There's a new fire hall and the café has moved in with the grocery store. Seating in the café is limited and the grocery section is much smaller than I remember as the café's kitchen takes up much of its former space.

As I've grown older, and hopefully wiser, I've come to realize that grocery stores in small towns serve more than a means of easy access to food staples. They also provide important jobs, to some adolescents this is their first job experience. Besides being employers, grocery stores are generating, ever so important, tax revenue that supports their community. When a town doesn't have a local store, the payroll and tax revenues go elsewhere.

If a town doesn't have a grocery store, it's a lot easier for us to leave town to pick up our groceries and run our errands somewhere else. In order to survive, as in my home town, some small town grocery stores have been pushed into serving dual purposes.

We've all seen or heard about the economic studies that have been done about spending locally. They've shown that by spending locally it keeps cash in communities, creates jobs, and builds prosperity. These same studies show the "multiplier effect" of a dollar spent locally and how it is then spent over and over in the community.

Having a grocery store in a small town is more important than just being an employer and generating tax revenue. They also:

- Help attract new residents,
- Assist in business development,
- Provide a place to visit with neighbors,
- Support local fundraisers,
- Donate to local schools and activities,
- Build a stronger community, and
- Save you time, money, and gas!!!

My parents realized the importance of local businesses and even though it may have cost them a little more, always supported the local grocery store and all local stores as much as possible. They did this not only in our home town, but in several area small towns. As with many things, when I was younger, I couldn't understand why my parents did such. But as I get older, I see their wisdom. Even though I don't like to say it, I'm afraid, that with every passing year I'm getting to be a little more like my parents. Now I too try to buy as much locally as possible.



NECOG Development Corporation
PO Box 1985
Aberdeen, SD 57402-1985
Phone: (605) 626-2595
Fax: (605) 626-2975