

RECAP: JUNE MONTHLY NETWORKING MEETING



Last month's business and networking meeting was held on Wednesday, June 20, at the corporate headquarters of Homeowners Choice Insurance, and featured the topic "Sifting through the JOBS Act: Who Benefits, How, and When?" Steven Vazquez, Partner, at Foley & Lardner LLP, served as the meeting's main presenter to a packed room of Indo-US members and guests.

Vazquez spoke about the main purposes of the JOBS Act (a recently passed law designed to encourage IPO growth and facilitate private capital raising), its principal provisions, as well as the potential benefits and pitfalls. Title III of this legislation — crowd funding — served as the focal point of Vazquez's presentation, and included highlights on registration exemptions, issuer disclosures, and manners of offerings that utilize brokers and funding portals.

For further information, Steven Vazquez can be reached at (813) 225-4132 or svazquez@foley.com.

The Indo-US Chamber of Commerce monthly networking meetings are held on the third Wednesday of each month at 5300 W. Cypress Street, Tampa, FL 33607. There is no cost to attend and dinner is served. No RSVP required.

SBA LOAN PROGRAMS

The U.S. Small Business Administration (SBA) offers a variety of loan programs for very specific purposes. Take some time to study the programs offered at www.sba.gov to see if you qualify to participate for the following:

• **7(A) LOAN PROGRAM**

The 7(a) Loan Program includes financial help for businesses with special requirements. For example, funds are available for loans to businesses that handle exports to foreign countries, businesses that operate in rural areas, and for other very specific purposes.

• **MICROLOAN PROGRAM**

The Microloan Program provides small, short-term loans to small business concerns and certain types of not-for-profit child-care centers. The SBA makes funds available to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. These intermediaries make loans to eligible borrowers. The maximum loan amount is \$50,000, but the average microloan is about \$13,000.

Microloans may be used for the following purposes:

- Working capital
- The purchase of inventory or supplies
- The purchase of furniture or fixtures
- The purchase of machinery or equipment.

Proceeds from a microloan cannot be used to pay existing debts or to purchase real estate

• **CDC/504 LOAN PROGRAM**

The SBA 504 Loan program is a powerful economic development loan program that offers small businesses another avenue for business financing, while promoting business growth, and job creation. The 504 Loan Program provides

approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. 504 loans are made available through Certified Development Companies (CDCs), SBA's community based partners for providing 504 Loans.

• **ABOUT CDCS**

A Certified Development Company (CDC) is a nonprofit corporation that promotes economic development within its community through 504 Loans. CDCs are certified and regulated by the SBA, and work with SBA and participating lenders (typically banks) to provide financing to small businesses, which in turn, accomplishes the goal of community economic development. There are over 260 CDCs nationwide each having a defined Area of Operations covering a specific geographic area.

• **504 LOAN STRUCTURE**

504 Loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing 10% of the project costs. Under certain circumstances, a borrower may be required to contribute up to 20% of the total project costs. (To view this article in its unedited entirety, visit <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs>).

Editor's Note: Our next monthly meeting covers the intricacies of applying for a SBA or community bank loan, presented by Suleman Makhani (SunTrust Bank) and Shyam Mundra (NorthStar Bank). We invite you to come and hear about what criteria banks look at and what you can do to improve your chances of approval from two professionals who play a role in the loan application decision-making process.

5 SMALL BUSINESS LOAN TIPS

From **DARRELL ZAHORSKY**

An important source of funding for your business in the future can be the bank. Relationship banking has been the cornerstone of small business financing. A good relationship between the business owners and bankers allows for the free exchange of knowledge and the ability to meet the needs of business. A banker informed of your business can not only provide you with a small business loan but also offer practical advice on financial matters. Setting up a relationship with your banker begins with following five tips:

1. Set up a bank account at a bank that deals with your size and type of small business.
2. Manage the account effectively and avoid overdrafts, bounced checks, and low balances.
3. Borrow a short-term loan and pay quickly to establish your business credit.
4. Keep your bank informed of upcoming issues, missed projections, and missed payments.
5. Get to know your banker and help them to understand your business.

Relationships can be beneficial when it comes time to apply for a small business loan or large credit line. Remember, banks are in business and all companies need to assess risk and make profits.

(Article sourced from: <http://sbinformation.about.com/od/creditloans/loanrelations.htm>)

WANT TO RAISE MONEY WITH CROWDFUNDING? CONSIDER THESE TIPS

By **CATHERINE CLIFFORD**

Crowdfunding is a way of raising capital that involves getting small amounts of money from a large number of investors. A new law, called the JOBS Act, changes the formerly donate-to-my-cause-for-a-tote-bag industry into a popular way for small companies to raise the cash in two ways: It allows businesses to raise money from investors in exchange for a piece of their company (equity) and it allows non-accredited investors (regular Joes and Janes like your neighbor and Grandma) to sink their own cash into startups.

If you have been quietly sitting on a business idea that you are convinced will change the world, but you have been struggling to get money to get started, this is great news. But, beware, eager entrepreneur-to-be. If you rush without caution, you could be digging your own grave. Check out these tips on how to tread safely in this new era of equity crowdfunding.

1. Refrain from the desire to raise \$1 from a million people. "Entrepreneurs should not

go into this unless they have worked out, 'What is the maximum number of people I can deal with?' says Sara Hanks, a securities attorney, and a cofounder of CrowdCheck, a startup that plans to help entrepreneurs access capital and protect their investors when the law is fully implemented. At this point, Hanks is working out of a home-office in Northern Virginia, but she has plans to open an office in Alexandria, Va.

Map out an investor relations plan. It should include how and when you are going to communicate with investors and respond to their queries. What's more, let your investors know what to expect. Otherwise, managing the relations with dozens or hundreds of investors will become overwhelming. It "risks being really distracting and very hard to manage," says Michael Greeley, general partner in Flybridge Capital Partners, a venture-capital firm based in Boston. "If you ask any public-company CEOs, their biggest gripe about the job is investor relations."

2. Don't take money from just anybody. "You certainly do not want to be in a position

where you take money that was illegally obtained," says Victor W. Hwang, co-founder and managing director at Silicon Valley-based T2 Venture Capital and co-author of *The Rainforest: The Secret to Building the Next Silicon Valley*, a book about creating innovation ecosystems. If you accept money from somebody that obtained it fraudulently, you are legally required to pay that money back. "You can be totally ruined if you are not diligent with some monitoring" of where the money is coming from, says Hwang. You can always say no to a fishy-smelling investor.

3. Stay in control of your company.

Entrepreneurs -- especially first-timers -- often are unaccustomed to being held accountable to shareholders. "You are going to have to deal with all of the negative burdens of what public companies deal with, which is disgruntled shareholders," says Hwang. If you raise money through equity crowdfunding, you need to be prudent in what amount of power you give your investors. "You don't give these types of investors what you would give, to say, venture-capital investors." Venture capitalists can often control major decisions in a startup, but you

don't want any crowd investors -- especially those that you don't know well -- to have the ability to influence significant company decisions, like hiring and firing the CEO, selling the company, raising capital, or taking loans.

4. Communicate the terms of the exchange clearly.

To avoid confusion down the line, establish the guidelines of the investments from the crowd ahead of time, ideally with the advice of a legal counsel or trusted mentor. "Set the parameters up front: This is what you are getting right now, this is how we reached this price, this is how it might change in the future, and these are your rights in the event that there are further rounds of financing," says Hanks.

In particular, make sure that crowd investors understand that if they invest \$1,000 and that represents 10 percent of the company at the time of investment, if the company grows and gets additional rounds of investment, that \$1,000 will no longer represent 10 percent of the company. "Every time new money comes in, the earlier investors are going to own a smaller percentage of the company," says Hanks.

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INDO-US CHAMBER MISSION

"To provide an active forum in which Asian American professionals and business owners, through an exchange of ideas, with a unified voice, can communicate, interact, and secure a position within the business industry and become a source of inspiration by promoting professionalism and excellence through education and community involvement."

Upcoming Indo-US Chamber Event:

Monthly Business & Networking Meeting
Date: Wednesday July 18, 2012
Topic: How does the bank decide whether to give you the loan that you applied for?
Speakers: Shyam Mundra (NorthStar Bank) and Suleman Makhani (SunTrust Bank)
Time: 6:30 p.m. to 8:30 p.m.
Location: HCI Building (5300 W. Cypress St., Tampa, FL 33607)
 This is a FREE event. Dinner will be served. No RSVP required.