



BUSINESS ENTERPRISE RESOURCE OFFICE

ANNUAL REPORT FOR FISCAL YEAR 2012

STATE OF TENNESSEE · DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

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WWW.TN.GOV/ECD



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November 30, 2012

Greetings:

Pursuant to Tennessee Annotated Code Section 4-26-105 the Department of Economic and Community Development, Business Enterprise Resource Office (BERO) shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the senate commerce, labor and agriculture committee, the chair of the house of representatives commerce committee, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

Herein, please find the BERO annual report for FY2012. If you have any questions regarding this report, please do not hesitate to contact me at 615-741-8914 or Wisty.Pender@tn.gov.

Respectfully submitted,

Wisty Pender
Director, BERO

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**Tennessee Department of Economic and Community Development
Business Enterprise Resource Office (BERO)
Annual Report FY2011-2012**

I. Reports

4-26-105. Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the senate commerce, labor and agriculture committee, the chair of the house of representatives commerce committee, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

HISTORY: Acts 1977, ch. 135, § 5; T.C.A., § 4-2605.

The Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO), was created in the Department of Economic and Community Development (ECD) by Chapter 135 of the Public Acts of 1977, codified as Section §4-26-101 et seq.

Given the era of BERO's establishment and the changes that have taken place in the 35 years since, this office will submit suggested revisions for consideration for legislative modifications prior to the issuance of the next report. (Attachment A, BERO Enabling Legislation).

4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller. [Acts 2006, ch. 935, § 3.]

No actions were recorded in this fiscal year.

II. Mission Statement

The Business Enterprise Resource Office (BERO) is housed within the Department of Economic and Community Development (ECD). BERO serves as a voice for and advocate of disadvantaged businesses (DBE); analyzes, disseminates and promotes best practices and access to capital to service providers; and reports on the status of DBEs statewide.

III. Changes to Program and Staffing

In 2011, ECD completed a top-to-bottom review of the department and its mission. One of Gov. Haslam's priorities was to ensure that every department within government was producing results in the most efficient and effective manner. ECD reviewed existing staff resources, the original code and subsequent suggestions of the General Assembly, the services provided by other federal and state agencies and re-crafted the mission of the BERO office. ECD determined that several of BERO's duties had expanded outside of its legislative mandate. In FY2012, ECD made significant changes to BERO's staffing, and the office is now composed of a dedicated director charged with managing the statutory duties of the office.

IV. Responsibilities

A. Access to Technical Assistance in Business Formation (Accelerators): In FY2012, an accelerator was selected in each of the nine Jobs4TN Jobs Base Camp regions to assist area entrepreneurs as they develop business plans and launch companies that have the potential to create new jobs. The goal for the accelerators is to become a foundational component of each region's economic development strategy while creating a network of partnerships and mentors within the local business community, the statewide investor base, higher education, non-profits and government. A \$250,000 grant was awarded to each accelerator through a competitive grant application process. The grant funding is a combination of state and federal dollars and contingent upon each accelerator providing at minimum an additional \$250,000 in local matching support. The accelerator program was developed by ECD and is managed by LaunchTN. The FY2013 report will highlight their progress.

www.launchtn.org

B. Access to Assistance with Business Promotion and Technical Assistance: The Tennessee Main Street Program is a program of ECD and a coordinating partner of the National Trust for Historic Preservation's National Main Street Center. There are 24 certified Main Street Communities statewide. According to the 2011 reinvestment statistics, 23 of the Tennessee Main Street communities reported on their reinvestment statistics. They reported 617 net new jobs, 135 net new businesses and a combined public (\$41,446,188)/private (\$48,102,466) investment of \$89,548,654. (Attachment B, 2011 Main Street Overview)

www.tennesseeainstreet.org

C. Access to Capital

Access to a robust capital ecosystem is critical to the success of Tennessee's DBEs. Finance programs that meet the needs of the state's DBEs ensure the best possible opportunities for start-up and growth.

C.1. Access to Capital: Programs Managed within ECD

a. Rural Small Business and Entrepreneur Loan Fund: In an effort to provide a greater level of service to rural communities, BERO started the ECD-BERO Revolving Microloan Program (a.k.a. Rural Small Business and Entrepreneur Loan Fund). This program was established with seed funding from USDA Rural Development with the goal to expand economic opportunities in rural Tennessee through entrepreneurship and small business growth. The loan program is for entrepreneurs and small businesses in rural Tennessee. Small loans, or microloans, of \$500 - \$20,000 (as of July 1, 2012) are available for purchasing equipment, inventory, working capital and/or fixed asset purchases. Loans are below market interest rates and collateral is required on loans of \$5,000 or more. To qualify, applicants must operate their business in a rural area and have fewer than 10 employees. Applicants agree to technical assistance from resource providers during the term of the loan.

www.tn.gov/ecd/bero/loan.html

b. TNInvestco: This fund is a state-sponsored, "venture capital type" program that provides capital to high-growth transformational businesses in Tennessee. The goals are to develop entrepreneurial infrastructure, bring additional capital into the state and diversify the state's economy. The TNInvestcos are authorized to invest funds in qualifying Tennessee businesses. As of 1/1/2012 the 10 TNInvestcos had funded 76 companies, deploying over \$55 million. The funded companies created employed 751.5 full-time employees of which 270 were filled by women and minorities.

www.tn.gov/ecd/tninvestco

- c. **Market Access Program/Trade Missions:** These TNTrade initiatives were made possible by STEP funding from the U.S. Small Business Administration. The TNTrade Market Access Program (MAP), launched in January 2012, was a reimbursement pilot program designed to enhance export readiness, promotion and sales activities in foreign markets for Tennessee's small- to mid-sized companies. MAP provided a 50 percent reimbursement for up to \$5,000 per year for qualified and approved export activities. The program was funded through a grant awarded by the U.S. Small Business Administration and managed by ECD. During FY2012, 22 applications were received and 17 approved. Of those approved, all are small businesses with two minority-owned, one woman-owned and four veteran-owned. The program ended September 30, 2012.

In FY2012, two trade missions were planned with the second occurring in FY2013. The first trade mission, in April 2012, visited Asia (China and South Korea) and focused on medical equipment and healthcare companies. The second trade mission, in July 2012, visited Mexico with a focus on the automotive industry. Both trade missions encompassed a variety of activities including trade shows, Gold Key business meetings through the U.S. Commercial Service and networking events and activities. Eleven companies participated on the Asia trade mission; and of those companies, eight were full participants covered by STEP funds, and four were self-pay. All businesses were small business enterprises, and of those, woman- and minority-owned businesses comprised 37.5 percent of company participation. Of the 12 individual participants, minority participants comprised over one-third the total and women one-quarter.

www.tn.gov/ecd/tntrade

C.2. Access to Capital: ECD Affiliate Programs Managed Outside of ECD

- a. **INCITE:** Developed by ECD and managed by LaunchTN, the Innovation, Commercialization, Investment, Technology and Entrepreneurship (INCITE) Co-Investment Fund is backed entirely by a \$29.7 million award through the U.S. Department of Treasury's State Small Business Credit Initiative. The fund is a key component of Gov. Haslam's \$50 million INCITE initiative to raise Tennessee's profile in innovation-based economic development and increase the number of knowledge-based jobs by assisting companies with access to early-stage capital. The INCITE Fund provides funding to supplement investments (or a co-investment) in Tennessee companies made by venture capital funds and investors from across Tennessee and around the country. As of June 30, 2012, the fund co-invested approximately \$4 million in 10 companies. These companies employ 44 women and minorities.

www.launchtn.org

- b. **Tennessee Rural Opportunity Fund, Small Business Jobs Opportunity Fund and Energy Efficiency Loan Programs:** In 2008, the Tennessee *Rural Opportunity Fund* (ROF), a rural economic development fund, was launched; and in 2010 launched the *Small Business Jobs Opportunity Fund* (SBJOF). The funds were created through a partnership between the state of Tennessee, the Tennessee Bankers Association and Pathway Lending, a not-for-profit community development financial institution. ROF provides loans and technical assistance to small, disadvantaged and early-stage businesses in rural Tennessee, and the SBJOF provides loans of up to \$2.5 million to small businesses statewide. The legislature approved a \$1.25 million appropriation through ECD for the \$10 million ROF and \$10 million for \$25 million for the SBJOF.

The Tennessee Energy Efficiency Loan Program provides low interest loans to qualified commercial, industrial or nonprofit Tennessee-based businesses. The program allows 100 percent financing for energy

efficient technology, energy retrofits and renewable energy systems. It is a collaborative effort between the state of Tennessee, TVA, Pinnacle National Bank and Pathway Lending.

(Attachment C, Pathway Lending Annual Report)

www.pathwaylending.org

- c. Small and Minority-Owned Business Assistance Program (SMOB):** The Small and Minority-Owned Business Assistance Program was created within the Tennessee Department of Treasury by Public Chapter 830 of the Acts of 2004 (§65-5-113). The legislative intent is for the department to use the assistance provided by this program to support outreach to new and existing businesses in Tennessee that do not have reasonable access to capital markets and traditional commercial lending facilities. The program is currently suspended as the requests received to date are three times greater than the amount of available funds. Those interested can visit the SMOB website and request to be placed on a waiting list to be notified if additional funds become available. When fully operational, SMOB consists of loans and program services. Loans up to \$125,000 were available for acquisition of machinery and equipment, working capital, supplies and materials, inventory and certain other business-related activities; and interest rates ranged between 2 percent below to 2 percent above prime. SMOB provides program services in the form of technical assistance, education and consulting services to qualifying businesses, including financial counseling, loan packaging assistance, cash flow management, financial management systems, strategic planning, workshops and seminars, and certifying qualifying businesses with Go-DBE. <http://treasury.tn.gov/smob>

Note: The overwhelming response to this program illustrates the continued need for not only access to capital for Tennessee businesses, but also for the technical assistance arm to prepare borrowers.

C.3. Access to Capital: Other Agencies/Organizations

U.S. Small Business Administration (SBA) Loan Programs: The SBA provides several loan programs targeting multiple capital needs. An SBA loan program targeting veterans to note is the Patriot Express Loan Program. The Patriot Express Loan Program is specifically for veterans and members of the military community that want to establish or expand small businesses. Loans are available for up to \$500,000 and can be used for most business purposes, including startup, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases. Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 - 4.75 percent over prime depending upon the size and maturity of the loan. SBA has retained the reduced interest rates and higher guarantees, upwards of 90 percent, on its established 504 and 7(a) programs, which were put in place as part of the American Recovery and Reinvestment Act (ARRA). This program provides valuable access to capital for Tennessee's veterans.

www.sba.gov/content/express-programs

D. Progress of Disadvantaged Business (DBE)

The department shall continually evaluate the progress of disadvantaged businesses through monitoring and techniques of evaluation, such as surveys and feasibility studies. (§ 4-26-104(C)(b)(1))

Data: The U.S. Census Survey of Business Owners (SBO) provides the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners; and it is collected every five years, for years ending in "2" and "7" as part of the economic census. This information takes a significant amount of time to collect and analyze. Some 2007 survey information used in this report was not released until 2011. (See *Vii. Data Sources* on page 14 for additional details.)

Minority-owned and women-owned businesses have made substantial gains from 2002 to 2007, however their numbers and revenue do not correspond relative to their distribution of the population. According to the U.S. Department of Commerce's Minority Business Development Agency's (MBDA) "Minority-Owned Business: Growth and Global Reach" fact sheet there were 5.8 million minority-owned firms with gross receipts of \$1 trillion in 2007 in the U.S. While the growth of minority-owned firms outpaced the growth of non-minority-owned firms in both numbers and gross receipts from 2002 to 2007, if those factors were in parity with the population there would have been an additional 2.4 million firms with \$2.4 trillion more in gross receipts. According to SBA's "Developments in Women-owned Business, 1997-2007" report, in 2007 29 percent of all U.S. firms were women-owned whereas men-owned firms comprised 52 percent with 17 percent held equally by men and women. The smallest percentage of firms are publicly held, but have 64 percent of the share of gross receipts. Women-owned businesses had less than 4 percent of gross receipts with men-owned businesses at 28 percent and businesses owned equally by men and women with a little over 4 percent (Lowery 3,5). If women-owned businesses were in parity with men-owned businesses then there would have been 6.1 million more women-owned firms and grossing \$7.3 trillion in additional receipts.

While the overall gains in numbers of businesses are impressive, it is important to note that the annual receipts of DBE businesses significantly lagged non-DBE businesses.

MDBA also stated "minorities represented 36 percent of the nation's population in 2010, and will become the majority of the population by 2042." Based on the 2010 census, women comprise 51 percent of the population.

Note: Significant progress has been achieved with respect to the formation of DBE businesses, but work remains to assist DBE businesses to grow in size.

D.1. Statewide Progress of Disadvantaged Business Enterprise (DBE) – Overview

According to data from the U.S. Census Survey of Business Owners (SBO), in 2007 there were just over half a million firms in Tennessee, 13 percent of which were minority-owned firms. The total number of firms in the state increased by 12 percent from 2002 to 2007 with total gross receipts increasing by 46 percent. African-American- and Asian-owned businesses saw the largest increase from 2002 to 2007 in business ownership at 71 percent and 54 percent, respectively, while American Indian- or Alaska Native-owned businesses saw a 24 percent decrease. In 2007, women-owned firms comprised 26 percent of the total firms in Tennessee; however, from 2002 to 2007 they grew at a slower rate of 20 percent both in terms of the numbers of firms and total gross receipts. Veteran-owned businesses were not tracked in the SBO for 2002, but were in 2007. In 2007, veteran-owned businesses comprised about 13 percent of total businesses in Tennessee. It is important to note that DBE progress data is segmented into set groups: minority-owned businesses, woman-owned businesses and veteran-owned, as it is possible for a single firm to fall in multiple categories simultaneously. For example, a business may be both woman-owned and minority-owned.

The gains made by Tennessee's DBEs may be attributed, in part, to various programs created to encourage DBE participation in government and private procurement. The SBA manages a program called 8(a) Business Development, which was created to assist small and disadvantaged businesses compete and have access to government and private procurement opportunities. A business must apply and be approved in order to participate in this program. One of the state's largest minority-owned businesses was a participant. At the state level, the Governor's Office of Diversity Business Enterprise acts as a central point of contact for minority-owned, women-owned, service-disabled veteran-owned and small business enterprises interested in competing for state contracting opportunities. The agency's annual report from FY2010-2011 further explains that "Go-DBE is charged with the monitoring of contract awards and purchases made to certified diversity businesses by state agencies and

departments” (11). It goes on to highlight that “purchases and contract awards to certified diversity businesses for fiscal year 2010-11 increased to \$184,660,714, despite the economic struggles for small business enterprises. This year’s increase in dollars awarded to certified businesses represents a 47.48% increase over the previous fiscal year” (11).

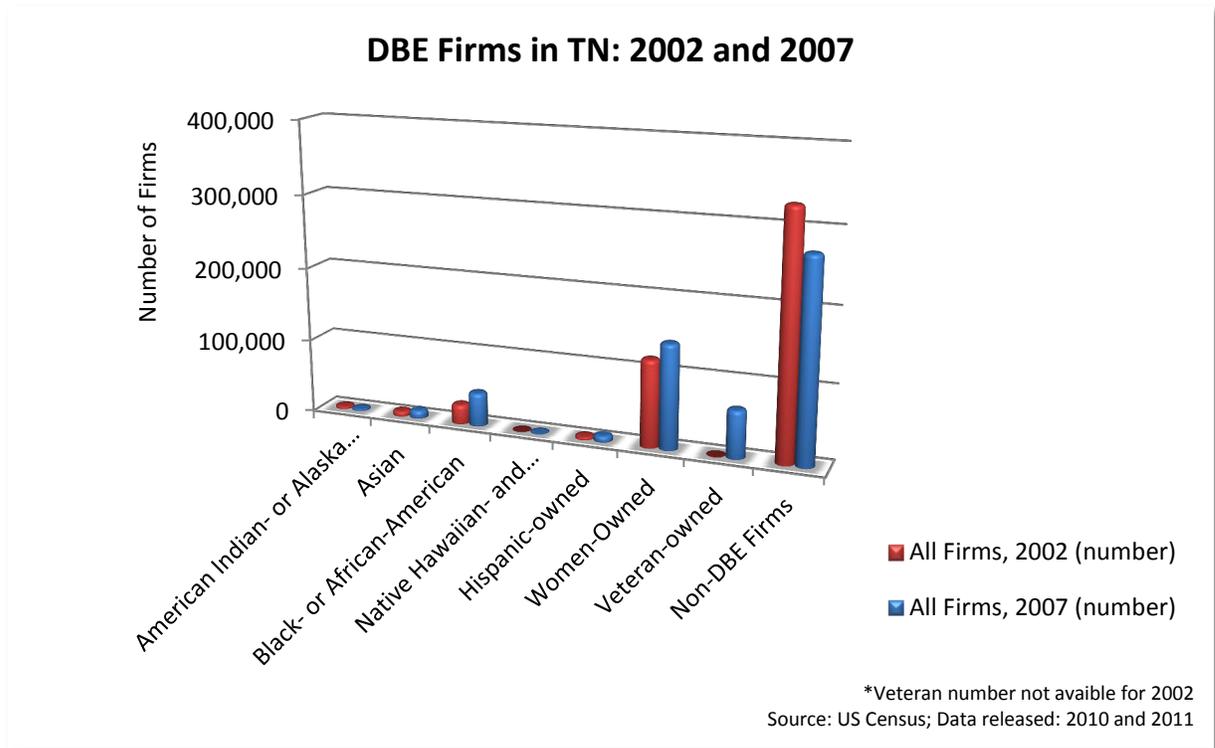
www.tn.gov/businessopp

At the state level, the University of Tennessee Center for Industrial Services Procurement Technical Assistance Center (UT-PTAC) assists qualified DBEs with training and technical assistance in contracting at the local, state and federal agencies.

www.ptac.tennessee.edu

Many of the workshops and training opportunities take place in partnership with the Tennessee Small Business Development Centers located across the state.

www.tsbdc.org



D.2. Minority-owned Businesses (MBE)

- a. The total number of minority-owned firms in the state increased from 2002 to 2007 by 64 percent with 62 percent gains in gross receipts. In looking at the individual segments, the greatest gains during the period were made by Hispanic-owned businesses in number of firms and gross receipts by 103 percent and 78 percent respectively. African-American- and Asian-owned businesses saw the next largest increase from 2002 to 2007, at 71 percent and 54 percent respectively, while American Indian- or Alaska Native-owned businesses saw a 24 percent decrease.

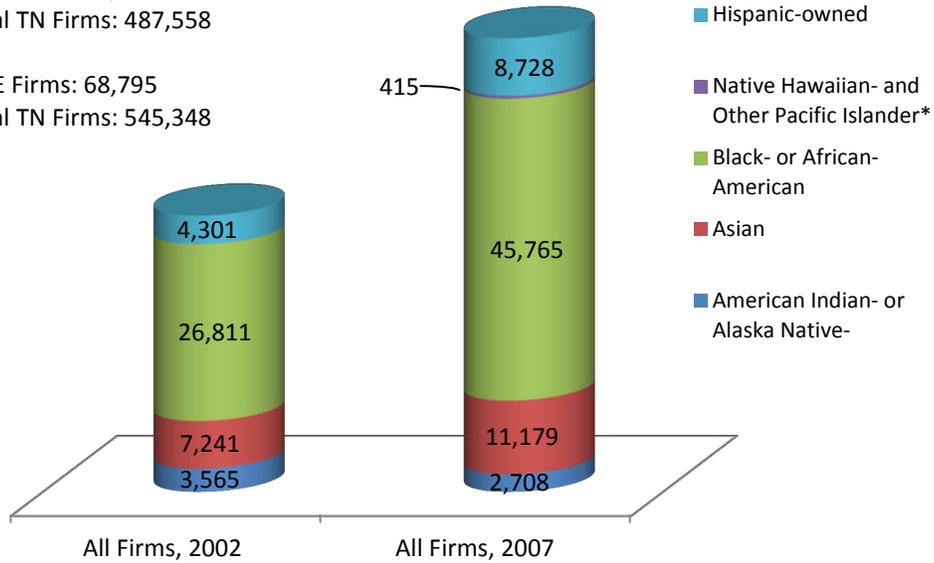
According to MBDA’s U.S. Business Fact Sheet, minority-owned firms out-paced the growth of non-minority firms on the national level in terms of number of firms (45 percent) and gross receipts (55 percent minority growth). In MBDA’s Performance Highlights, June 2012, it was also noted that

“minorities-owned firms have the most favorable export attributes of any sector of the U.S. economy and represent the future of export growth.”

i. **MBE Firms in TN, 2002, 2007**

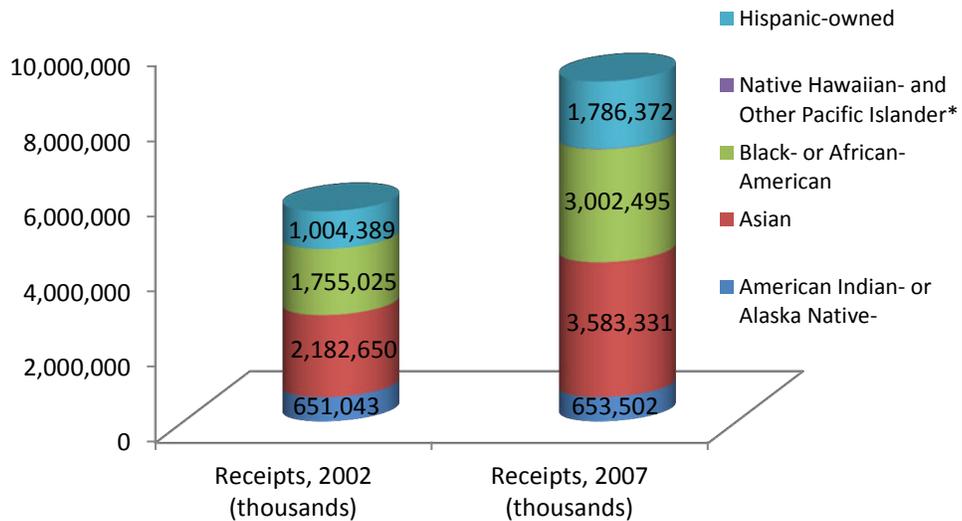
2002 MBE Firms: 41,918
2002 Total TN Firms: 487,558

2007 MBE Firms: 68,795
2007 Total TN Firms: 545,348



*Withheld because estimate did not meet publication standards
Source: US Census; Data released: 2010 and 2011

ii. **MBE Gross Receipts, 2002 (5,593,107), 2007 (9,038,545)**



*Withheld because estimate did not meet publication standards
Source: US Census; Data released: 2010 and 2011

b. Minority Distribution in Tennessee

- i. According to U.S. Census data African-Americans comprise almost 17 percent or 1.5 million of the state's total population. In a paper, "Patterns in Tennessee's Black Population, 2000-2010," H. Ronald Moser reviews the population distribution and changes of African-Americans across each of the three grand divisions: West, Middle and East. He explains that 90 percent of the state's African-American population is classified as urban and part of a growing, influential middle class (20). He identifies Shelby County as home to 46 percent of Tennessee's African-American population, followed by the middle Tennessee counties of Davidson, Montgomery, Maury and Rutherford for a combined total of 24 percent, and Hamilton and Knox counties as the only counties in east Tennessee with more than 5 percent of the population classified African-Americans (13, 15, 17).
- ii. Hispanic and Asian-owned firms saw gains in number of firms and gross receipts from 2002 to 2007 of 103 percent and 54 percent respectively. The gains are also reflective of the changing population of the state and increased numbers of immigrant-owned businesses primarily in the urban areas.

Note: These findings may help guide future government spending related to promoting and supporting minority business participation across the state and expanding the classification of minority-owned businesses.

c. Highlighted: Minority Focused Programs

- i. There are several programs across the state at local, state and national levels that provide services to MBEs. Two are highlighted within this report given their direct connection to the state's efforts in promoting minority business ownership. In FY2012, two \$100,000 direct appropriations were awarded by the Tennessee General Assembly to the (1) Nashville Minority Business Center and (2) Minority Enterprise Development Corporation in Memphis.
<http://www.minoritybusinesscenter.com>
<http://www.linkedin.com/pub/memphis-sabir/42/a74/14>
- ii. In April 2012, the MBDA announced that the Mid-South Minority Business Council (The MMBC Continuum) would receive a grant worth \$1 million to be administered over the next four years to operate a MBDA business center in the Delta region. In a press release from April 19, 2012, MBDA explained that "Memphis was chosen as a new location for a MBDA Business Center because it offers significant opportunity to create new jobs through the growth and global competitiveness of minority-owned firms. Memphis, and the surrounding Delta region, has a notable minority population with a long history of entrepreneurship and innovation." The business center is charged with assisting minority businesses access capital, contracts and markets. ECD provided a letter of support for this grant application.
www.mmbc-memphis.org

Note: There are no direct appropriations for MBE focused organizations, comparable to the direct appropriation mentioned above, for east Tennessee. The existing appropriations do not proportionately reflect the population distribution of minorities in Memphis and Nashville.

D.3. Immigrants in Tennessee

- a. The largest population of immigrants in Tennessee reside in the Nashville, Memphis, Chattanooga and Knoxville areas – in that order. In "Tennessee: Recent Immigration Patterns," author Steven G. Livingston, examines the recent immigration patterns in the state. He explains that while Tennessee

has been isolated and has a smaller foreign-born population (3 percent) than the U.S. average (13 percent), today there are eight times as many foreign-born Tennesseans than there were 50 years ago. This is an important area to consider in formulating long-term planning around minority business participation and growth (1-2).

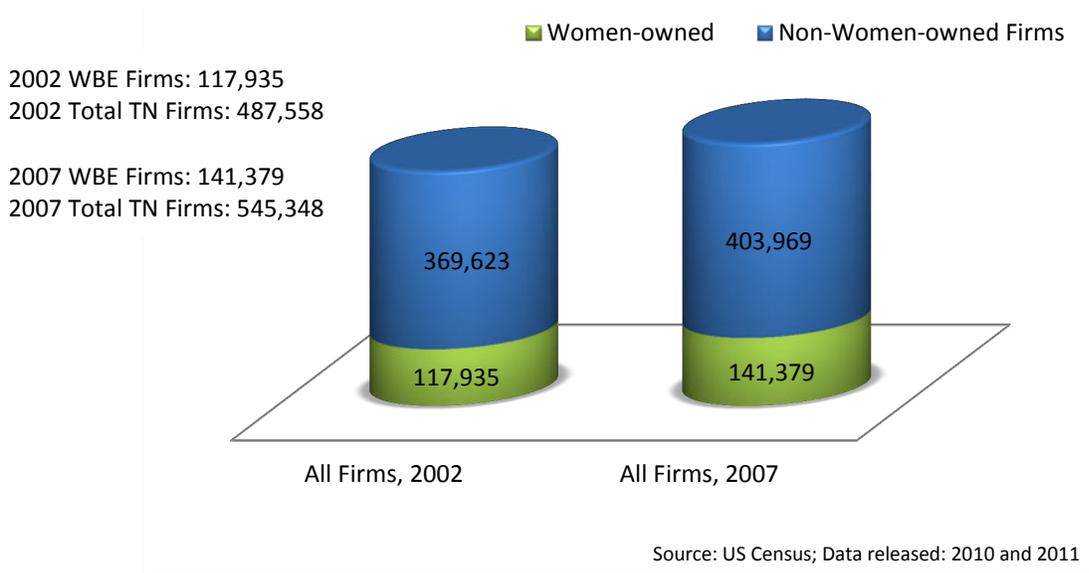
- a. In a study published in May 2012 for the Small Business Administration, “Immigrant Entrepreneurs and Small Business Owners, and their Access to Financial Capital,” Robert W. Fairlie offers the following key findings on immigrant-owned businesses:
 - i. The business ownership rate is higher for immigrants than non-immigrants – 10.5 percent of the immigrant work force owns a business compared with 9.3 percent of the non-immigrant (i.e. U.S.-born) work force;
 - ii. Immigrant-owned firms have \$435,000 in average annual sales and receipts, which is roughly 70 percent of the level of non-immigrant owned firms at \$609,000. Examining the full distribution of sales reveals that 11.4 percent of immigrant firms have sales of \$500,000 or more, which is similar to the percentage of non-immigrant firms at this level;
 - iii. Hispanic immigrant- owned businesses have an average sales level of \$257,000 compared with \$465,000 for Asian immigrant-owned businesses. Asian immigrant-owned firms are more likely to hire employees than Hispanic immigrant-owned firms (36 percent compared with 20 percent), but have roughly similar levels of employment and payroll conditioning among employer firms;
 - iv. Immigrant owned-businesses are more likely to export their goods and services than are non-immigrant-owned businesses. Among immigrant firms, 7.1 percent export compared with only 4.4 percent of non-immigrant firms, and immigrant firms are more likely to have high shares of exports;
 - v. The most common source of startup capital for immigrant-owned businesses is personal or family savings with roughly two-thirds of businesses reporting this source of startup capital. Other common sources of startup capital used by immigrant firms are credit cards, bank loans, personal or family assets, and home equity loans. The sources of startup capital used by immigrant firms do not differ substantially from those used by non-immigrant firms. (ii-iii)

Note: Immigrant businesses impact the economic environment of the state. Programs and policies effecting immigrants, both locally and nationally, impact Tennessee’s immigrant-owned businesses.

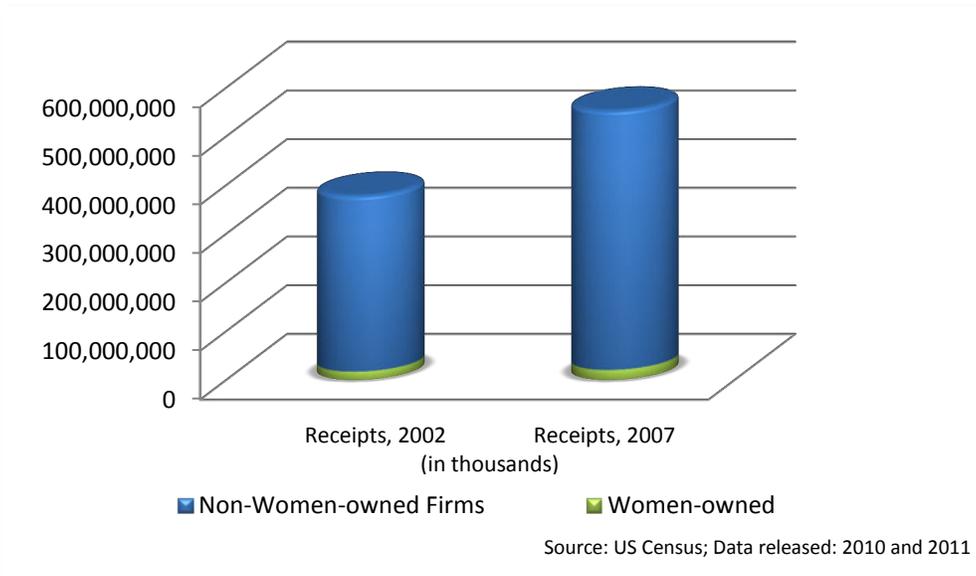
D.4. Women-owned Businesses (WBE)

- a. In Tennessee, from 2002 to 2007, the number of women-owned businesses (WBE) increased almost 20 percent compared to the 9 percent increase of non-women owned businesses. In receipts, the non-woman-owned business increased just over 47 percent, while women-owned businesses increased at a similar 20 percent.

i. WBE Firms in TN



ii. WBE Gross Receipts, 2002, 2007



Note: Women-owned businesses need access to capital as well as appropriate and applicable technical assistance to enable them to develop their abilities to compete globally.

“The Economic Impact of Women-owned Businesses in Tennessee” report released in October of 2010 states that “if U.S. based women-owned businesses were their own country, they would have the 5th largest GDP in the world, trailing closely behind Germany, and ahead of countries including France, United Kingdom and Italy” (8).

D.5. DBE Distribution by Sector in Tennessee

DBE businesses are important employers and contributors to Tennessee’s business environment. Business sectors correlate with wages. Retail sales equate with lower wages, whereas professional, scientific and technical services equate with higher paying jobs. Increases in businesses that allow higher paying jobs can also correlate to firms with higher gross receipts.

- a. Data from Dun and Bradstreet’s Hoover’s database shows the current top five business sectors for Tennessee’s minority-owned businesses are the following:

1) Professional, Scientific and Technical Services	17%
2) Administration and Support and Waste Management	16%
3) Construction	11%
4) Retail Trade	10%
5) Other Services	9%

- b. Hoover’s data shows the current top five business sectors for Tennessee’s woman-owned firms as the following:

1) Retail Trade	17%
2) Other Services	15%
3) Professional, Scientific and Technical Services	15%
4) Administration and Support and Waste Management	9%
5) Healthcare and Social Assistance	8%

- c. The data provided by the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (www.bls.gov) shows that Tennessee’s top sectors are as follows:

1) Retail Trade	16%
2) Professional, Scientific, and Technical Services	11%
3) Health Care and Social Assistance	10%
4) Wholesale Trade	9%
5) Other Services	9%
6) Construction	8%
7) Accommodation and Food Services	8%
8) Finance and Insurance	6%
9) Administration and Support and Waste Management	6%
10) Manufacturing	5%

Note: Tennessee accelerators have the opportunity to make a marked impact by helping encourage business formation in sectors generating higher receipts.

D.6. Veteran-owned Business (VBE)

According to the State of Tennessee Department of Veteran Affairs (TDVA) FY2012 Annual Report, there are nearly half a million veterans in the state. About 13 percent of those are women, and in April 2012, TDVA hosted its inaugural Women’s Veterans Summit.

(www.tn.gov/veteran)

As indicated in the chart in *D.2.Statewide Progress of Disadvantaged Business Enterprise (DBE) – Overview*, the U.S. Census SBO reported 64,657 VBEs in Tennessee in 2007, which is 12 percent of the total firms. The number of VBEs are not differentiated by gender nor race. On a national level, according to U.S. Census Data, about 9 percent of firms are veteran-owned and according to SBA’s Office of Veteran Business Development, the nation’s 2.45 million veteran-owned businesses employ nearly 6 million individuals. The SBA, in cooperation with the U.S. Departments of Defense and Veterans Affairs, launched the *Operation Boots to Business* pilot initiative in spring 2012 as part of

their Transition Assistance Program (TAP), enabling veterans to opt-in for training from a national network of service providers.

(www.sba.gov)

In a study released in March 2011, “Factors Affecting Entrepreneurship Among Veterans” conducted for the SBA by John B. Hope, et.al., the authors confirmed that military service is highly correlated with self-employment with a vastly higher probability of self-employment by officers compared to enlisted veterans, which was determined attributable to education as most officers hold bachelor’s degree or higher. They also concluded that for the study population, “race is statistically significant for whites and Hispanics,” while “the effect of other races on self-employment was statistically insignificant” (31).

Note: Veterans bring a unique set of skills from their training and experience to bear on building and growing their businesses. Assisting veterans in making the transition from the military to owning and running their own businesses is not only a small repayment for their military contributions, but a job creator for the state.

D.7. Diversity within Business

In a *McKinsey Quarterly* article “Is there payoff from top team diversity?”, the authors scored 180 publicly traded companies in four countries based on their executive board compositions, returns on equity (ROE), and margins on earnings before interest and taxes (EBIT). Further, they found “the findings were startling consistent: for companies in the top quartile of executive-board diversity, ROEs were 53 percent higher, on average, than they were for those in the bottom quartile. At the same time, EBIT margins were 14 percent higher, on average, than those of the least diverse companies.” They go on to explain that while they cannot quantify the relationship between diversity and performance, it is a part of a growing body of best practices.

E. Advisements and Community Development Block Grants

BERO shall annually report on advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses. (§4-3-728)

ECD awards Community Development Block Grants (CDBG) to communities who then contract with an individual company for its performance. The information gathered regarding the award recipients of contracts results from the annual, federally required Title VI reporting.

During FY2012, of the 34 CDBG subcontracts awarded to nine firms, eight of those firms were woman-owned. The contracts awarded to women-owned firms totaled \$1,799,200, or 79 percent of the total dollar amount, and 88 percent of the total number of subcontracts available. The average total award for the nine companies was \$254,635.56. There was no minority participation.

F. Program Data

The department shall maintain complete and consistent program data. (§ 4-26-104(C)(b)(2))

As mentioned previously, the department reorganized, and FY2012 marks a new direction for BERO’s policy and advocacy for women- and minority-owned businesses. This report marks a transitional year for the department and, moving forward, it is expected that, absent any concerns, data will be organized in a similar fashion as is presented here

V. Communication and Outreach Activities

- A. BERO maintains a webpage with its publications, along with other useful links and resources.
(www.tn.gov/e cd/bero)
- B. Tennessee Smart Start Guide, a start-up guide and resource, is produced and made available on-line and in hard copy. The guide and related postcard (Attachment D.1 and D.2) are distributed across the state via the nine regional offices, county and city officials, chambers of commerce and other resource partners, and through events and inquiries (email, phone, etc.). The guide is linked to on many websites - a button, link and PDF are provided to chambers of commerce and other resource partners upon request.
- C. Below is a sample list of the events in which BERO was represented (through participation, presentation and/or booth) in FY2012. This list is not comprehensive.
- Global Entrepreneurship Week (GEW), statewide, 83 events from November 14-19, 2011
(www.tn.gov/e cd/gew)
 - MMBC Continuum, Memphis
 - Africa in April, Memphis
 - West Tennessee Women’s Business Opportunities Conference, Jackson
 - USDA Rural Development Conference, Cookeville
 - Veterans’ Event, Cookeville
 - East TN Veterans’ Conference, Oak Ridge
 - West TN Entrepreneurship Conference, Martin
 - TN Lottery procurement event, Knoxville
 - IRS Small Business Forum, Nashville
 - KOSBE Small Business Award Presentation, Bristol
 - Economic Summit on Women, Nashville
 - MED Week, Memphis
- D. Additional FY2013 Communications Planned
- i. BERO quarterly e-newsletter (Attachment E)
BERO plans to communicate with its stakeholders through quarterly e-newsletters.
 - ii. Survey DBE service providers
- E. Contact information:

Wisty Pender, Director
State of Tennessee, ECD-BERO
312 Rosa L. Parks, 11th floor
Nashville, TN 37243

Toll-free: 800.872.7201
Local: 615.741.2626
Fax: 615.741.5829

ecd.bero@tn.gov

www.tn.gov/e cd/bero

Please note that the department’s floor will change in early 2013, but the street address will remain the same.

VI. Attachments

- A. Enabling Legislation
- B. Main Street Summary for 2011
- C. Annual Report for Pathway Lending
- D. TN Smart Start Guide
 1. Guide
 2. Postcard
- E. BERO Quarterly Newsletter (FY2013)

VII. Data Sources

A. U.S. Census Survey of Business Owners (SBO)

The SBO provides the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status. Title 13 of the United States Code authorizes this survey and provides for mandatory responses. Data have been collected every 5 years since 1972, for years ending in “2” and “7” as part of the economic census. The information takes a significant amount of time to collect and analyze. Some 2007 survey information used in this report was not released until 2011.

(www.census.gov/econ/sbo)

B. Dun and Bradstreet’s Hoover’s Database

Hoover’s business information database includes more than 65 million companies, 85 million contacts, and 900 industry segments. Hoover’s updates its information annually, with all private data provided by the company. The database only contains information about companies that have been assigned DUNS numbers.

VIII. Works Referenced and Cited

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- G. State of Tennessee, Economic Council on Women. “The Economic Impact of Women-owned Businesses in Tennessee.” Nashville. October 2010. Web. <www.tn.gov/sos/ecw>
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- L. U.S. Department of Commerce, Minority Business Development Agency (MBDA). “Minority Business Development Agency Awards \$3.4 Million in Grants to Boost Job Creation.” Washington D.C. Web. <www.mbda.gov>

- M.** U.S. Small Business Administration, Office of Advocacy. "Small Business Profile: Tennessee." Washington D.C. January 2012. Web.<www.sba.gov/advocacy>

BERO ANNUAL REPORT FY2012

ATTACHMENTS

BERO ANNUAL REPORT FY2012

ATTACHMENT A



**Tennessee Department of Economic & Community Development
Business Enterprise Resource Office
Enabling Legislation**

**Title 4 State Government
Chapter 26 Business Enterprise Office**

4-26-101. Establishment.

There is established within the department of economic and community development an office of business enterprise.

HISTORY: Acts 1977, ch. 135, § 1; T.C.A., § 4-2601.

4-26-102. Chapter definitions.

As used in this chapter, unless the context otherwise requires:

(1) "Bid bond" means a bond conditioned upon the entering into a contract by a bidder, if the bidder receives the award thereof, and furnishing the prescribed payment bond and performance bond;

(2) "Commissioner" means the commissioner of economic and community development;

(3) "Department" means the department of economic and community development;

(4) "Director" means the director of the office of business enterprise;

(5) "Disability" means a physical impairment that, in the written opinion of a person's licensed physician, substantially limits one (1) or more of the major life activities of such person and is expected to continue to exist for more than five (5) years. As used in this subdivision (5), "major life activities" means caring for oneself and performing manual tasks, which includes writing, walking, seeing, hearing, speaking, and breathing;

(6) "Disadvantaged business" means a business that is solely owned, or at least fifty-one percent (51%) of the outstanding stock of which is owned, by a person who is either:

(A) By reason of social background unable to obtain technical, business or financial assistance of a quality or quantity similar to that available to the average business;

(B) Impeded from normal entry into the economic mainstream because of past practices of discrimination based on race, religion, ethnic background, sex or service in the armed forces during the Vietnam war; provided, that it is not the policy of this state to encourage employment outside the home of mothers of minor children;

(C) Unable to compete effectively because of tendencies of regular financing and commercial organizations to restrict their services to established businesses;

(D) In a state of chronically low income because of long residence in an urban area with high unemployment and low income; or

(E) Impeded from normal entry into the economic mainstream because of a disability;

(7) "Obligee" means:

(A) In the case of a bid bond, the person requesting bids for the performance of a contract; or

(B) In the case of a payment bond or performance bond, the person who has contracted with a principal for the completion of the contract and to whom the obligation of the surety runs in the event of a breach by the principal of the conditions of a payment bond or performance bond;

(8) "Payment bond" means a bond conditioned upon the payment by the principal of money to persons under contract with the principal;

(9) "Performance bond" means a bond conditioned upon the completion by the principal of a contract in accordance with its terms;

(10) "Prime contractor" means the person with whom the obligee has contracted to perform the contract;

(11) (A) "Principal" means:

(i) In the case of a bid bond, a person bidding for the award of a contract; or

(ii) The person primarily liable to complete a contract for the obligee, or to make payments to other persons in respect of such contract, and for whose performance of such person's obligation the surety is bound under the terms of a payment or performance bond.

(B) A principal may be a prime contractor or a subcontractor;

(12) "Subcontractor" means a person who has contracted with a prime contractor or with another subcontractor to perform a contract; and

(13) "Surety" means the person who:

(A) Under the terms of a bid bond, undertakes to pay a sum of money to the obligee in the event the principal breaches the conditions of the bond;

(B) Under the terms of a performance bond, undertakes to incur the cost of fulfilling the terms of a contract in the event the principal breaches the conditions of the contract; or

(C) Under the terms of a payment bond, undertakes to make payment to all persons supplying labor and material in the prosecution of the work provided for in the contract if the principal fails to make prompt payment.

HISTORY: Acts 1977, ch. 135, § 2; T.C.A., § 4-2602; Acts 1987, ch. 369, § 2; 1993, ch. 488, § 1; 1994, ch. 767, §§ 1, 2.

4-26-103. Powers and duties.

The department is authorized to:

(1) Provide assistance to disadvantaged businesses by advising and counseling on all phases of procurement policies, by obtaining information concerning prime contractors in letting subcontracts and by encouraging the letting of subcontracts by prime contractors to disadvantaged businesses;

(2) Receive funding from sources other than the state;

(3) Make studies and conduct workshops, conferences and seminars, with owners and employees of disadvantaged businesses to enhance their understandings of business management, bidding, licensing procedures, procurement procedures and any other activities incident to their positions in business;

(4) Develop training and educational programs in cooperation with institutions, associations, and other state, local and federal agencies, and coordinate the training efforts of the various organizations presently providing technical assistance to disadvantaged businesses;

(5) Encourage and provide the direction and coordination necessary to secure franchises and dealerships from private firms for disadvantaged businesses;

(6) Review and evaluate legislation and determine its effect upon disadvantaged businesses and make appropriate recommendations to the governor and the general assembly;

(7) Employ such personnel as may be required to implement and administer this chapter; and

(8) (A) Develop sources of capital for minority entrepreneurs;

(B) Assist in setting up new minority banks, small business investment companies, as defined in 15 U.S.C. § 681(a), and minority enterprise small business investment companies, being the companies authorized in 15 U.S.C. § 681(d) [repealed]; and

(C) Develop loan packages to assist minority business persons in the start-up or expansion of businesses, or any other financial counseling necessary to enable minority business operations to operate on a sound financial basis.

(b) (1) The department shall continually evaluate the progress of disadvantaged businesses through monitoring and techniques of evaluation, such as surveys and feasibility studies.

(2) The department shall maintain complete and consistent program data.

4-26-104. Purpose and construction.

This chapter shall be liberally construed to carry out the following purposes and objectives that:

(1) Disadvantaged businesses share in the American economic system of private enterprise through free and vigorous competition;

(2) Such competition be fostered through the encouragement and development of disadvantaged businesses; and

(3) The state aid, counsel and assist in every practical manner disadvantaged businesses in order to preserve free competition on equal terms with those businesses constituting the major part of the business community.

HISTORY: Acts 1977, ch. 135, § 4; T.C.A., § 4-2604.

4-26-105. Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the senate commerce, labor and agriculture committee, the chair of the house of representatives commerce committee, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

HISTORY: Acts 1977, ch. 135, § 5; T.C.A., § 4-2605.

4-26-106. Disadvantaged business loan guarantee program.

(a) (1) The general assembly finds that conventional funding sources for emerging and expanding disadvantaged businesses are limited or nonexistent.

(2) The general assembly further finds that promoting and encouraging economic opportunity and development within the state's minority community is a worthy public purpose.

(3) Such economic opportunity and development serve the health, safety and welfare of all citizens through creation of long-term employment opportunities, reduction of unemployment, diminished demand for costly social services and increased revenue collections.

(b) (1) There is created within the state treasury a restricted account not to exceed fifty thousand dollars (\$50,000) to be known as the "disadvantaged business loan guarantee account."

(2) Amounts in the account at the end of any fiscal year shall not revert to the general fund but shall remain available to the department for the purposes set forth in this section.

(3) Amounts in the account shall be invested for the benefit of the account by the state treasurer pursuant to § 9-4-603. The account shall be administered by the commissioner.

(c) (1) There is created within the department the disadvantaged business loan guarantee program.

(2) The purpose of the loan guarantee program is to ensure the availability of conventional financial resources to emerging and expanding disadvantaged businesses by guaranteeing loans for disadvantaged businesses.

(3) To qualify for a loan guarantee, a disadvantaged business must demonstrate to the satisfaction of the commissioner that the loan will be fully repaid and will produce economic benefit for the community and state.

(4) The department is authorized to determine the total dollar amount of loans to be guaranteed, subject to a maximum of five (5) times the balance of appropriated funds within the loan guarantee account, plus income, less expenses associated with the program.

(5) The department is authorized to charge a premium to the borrower to help defray the cost of administering the program.

(6) The department may establish other terms and conditions for guarantees of loans.

(7) The total aggregate amount of the loan guarantee may not exceed eighty percent (80%) of any loan.

(8) All documentation evidencing a loan guarantee shall clearly state that such guarantee is an obligation of the disadvantaged business loan guarantee account and not of the general fund or the state of Tennessee, and that any amounts required to be paid pursuant to the loan guarantee are subject to the availability of sufficient funds within the guarantee account.

(d) The commissioner shall annually submit to the governor and the speakers of the senate and house of representatives, within ninety (90) days after the end of the fiscal year, a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund.

HISTORY: Acts 1990, ch. 1071, § 1.

4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller.

HISTORY: Acts 2006, ch. 935, § 3.

Title 4 State Government

Chapter 3 Creation, Organization and Powers of Administrative Departments and Divisions

Part 7 Department of Economic and Community Development

4-3-728. Community development block grants to disadvantaged businesses.

(a) Notwithstanding any provision of the law to the contrary, in the allocation and use of community development block grants it is the policy of this state that a substantial portion of such grants shall be utilized whenever reasonably possible for the development of contracts with disadvantaged businesses as defined in § 4-26-102.

(b) The office of business enterprise in the department of economic and community development shall advise the commissioner, or any other official with authority to allocate or disperse community block grants, of disadvantaged businesses that should be considered as recipients of such block grants.

(c) The office of business enterprise shall annually report not later than December 1, to the general assembly, of all such advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses.

HISTORY: Acts 1984, ch. 873, § 1.

4-3-732. Enhanced policymaking role for minority business.

Notwithstanding the provisions of any law to the contrary, the director of the office of business enterprise, created by § 4-26-101, may, in the discretion of the commissioner, serve as a full, voting member of each committee, board, task force, group or other entity that is formally or informally attached to or established within the department for the purpose of formulating, adopting or recommending state policies to enhance economic and community development. The general assembly urges the department of economic and community development to develop an enhanced policymaking role for minority business.

HISTORY: Acts 1996, ch. 976, § 1.

BERO ANNUAL REPORT FY2012

ATTACHMENT B

Tennessee Main Street Program

Tennessee joins a growing national movement to improve the business climate in America's traditional downtowns. Main Street works with these communities to provide technical assistance, training and guidance to improve the economic, social, cultural and environmental well-being of traditional commercial districts. The "Main Street Approach to Revitalization"™ guides communities to develop strong, broad-based local organizations and to create a road map for implement and management of the revitalization process.

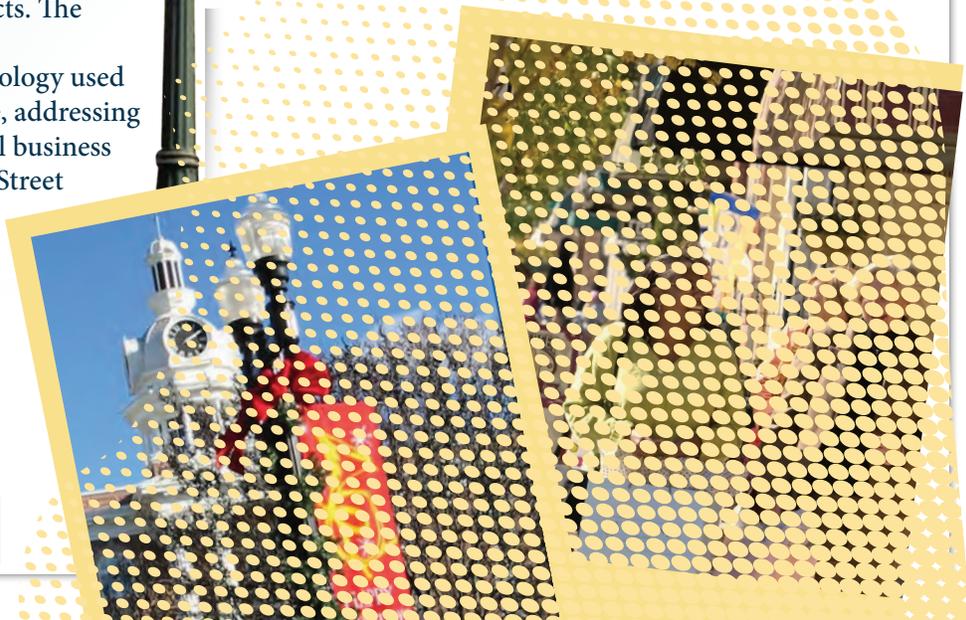
The Tennessee Main Street Program is a program of Tennessee Dept. of Economic & Community Development and is a coordinating partner of the National Trust for Historic Preservation's National Main Street Center.



Tennessee Downtowns is a program designed to assist communities to fully understand the comprehensive nature of downtown revitalization—patterned after the Main Street four-point Approach to Revitalization---this program allows selected communities to receive a technical assistance package and engage in understanding the Main Street principals and how they may apply in their communities. Applications are accepted annually.

What is Main Street?

Developed by the National Trust for Historic Preservation almost 30 years ago, the National Main Street Center encourages public-private partnerships to enhance community livability and job creation while maintaining the historic character of communities' traditional commercial districts. The Main Street Four-Point Approach™ is a community-driven, comprehensive methodology used to revitalize historic downtowns nationwide, addressing the variety of challenges that face traditional business districts in a common sense way. The Main Street Approach advocates a return to community self-reliance, local empowerment and the rebuilding of traditional commercial districts based on unique assets such as distinctive architecture, a pedestrian-friendly environment and local ownership.



Certification in Tennessee Main Street

While not every city or town engaged in downtown revitalization seeks Main Street certification, many Tennessee communities seek to more closely understand and follow the Main Street Approach™ applying the principals to their downtown district.

To participate in the Tennessee Main Street Program as a certified community, a rigorous application process requires communities to demonstrate broad-based community support for the program, a comprehensive work plan, a sufficient operating budget and adequate staff and volunteer support among other criteria.

Certified Main Street communities must also submit to an annual review against National Accreditation criteria set by the National Main Street Center.

The staff at Tennessee Economic and Community Development can assist communities as you begin your plans for community revitalization.



Certified Tennessee Main Street Communities

Bristol	Dandridge	Gallatin	Lawrenceburg	Tiptonville
Cleveland	Dayton	Greeneville	McMinnville	Savannah
Collierville	Dyersburg	Jackson	Murfreesboro	Union City
Columbia	Fayetteville	Leiper's Fork	Morristown	Ripley
Cookeville	Franklin	Kingsport	Rogersville	

How to get your community excited about downtown revitalization...

- Organize a steering committee to learn more about downtown revitalization.
- Start talking about your downtown's strengths and opportunities.
- Identify and talk to all downtown stakeholders including property owners, residents, merchants, and civic leaders.
- Learn about the National Main Street movement by visiting www.mainstreet.org.
- Visit other communities-find out how they got it started!
- Walk around your downtown—with a camera.
- Ask another community to visit your community to discuss how they got started.
- Call a meeting to talk about the future of downtown-invite everyone!
- Talk to your city and county leaders about the importance of downtown.
- Invite the Tennessee Main Street Program/ Tennessee Economic and Community Development staff to your community for a tour.

2011 Community Reinvestment Statistics Tennessee Main Street Program Communities (23 communities reporting)

**For additional information contact:
kimberly.nyberg@tn.gov**

BERO ANNUAL REPORT FY2012

ATTACHMENT C



Pathway Lending

Financing Businesses. Strengthening Communities.

2011 Annual Report



Celebrating 12 Years of Helping Tennessee Businesses Grow

“ Over the past 12 years, I have participated in Pathway Lending’s growth and its commitment to creating sustainable access to capital and advisory service programs for underserved businesses in communities throughout Tennessee. I am proud to be a member of its Board of Directors during this time and look forward to great things to come. ”

James Carter, Board of Directors Chairman



CONTENTS

- 3.....The Executive Message
- 4.....Awards & Recognitions
- 5.....Working with Pathway Lending
- 7.....About Our Business
- 9.....The Pathway Lending Community
- 11.....TN Energy Efficiency Loan Program
- 13.....Experienced Executives Give Back
- 14.....Board of Directors
- 15.....Business & Loan Fund Performance
- 17.....Financials
- 19.....Stakeholders



Dear STAKEHOLDERS:

For the past twelve years, Pathway Lending has been committed to expanding the availability of capital and educational resources to Tennessee's underserved small business community. During this time, we have collaborated with many public and private organizations to develop programs that have resulted in Pathway Lending's fiscal sustainability, the sustainability of many small businesses, and most importantly sustainability of economies in both rural and urban areas of Tennessee.



The recent economic crisis has made it apparent that existing businesses need additional resources to help them survive, grow, and maintain their ability to compete regionally, nationally, and globally. We have collaborated with the State of Tennessee to broaden our services and loan solutions to existing businesses over the last eighteen months. This expansion of services includes the creation and launch of the Tennessee Small Business Jobs Opportunity Fund and the creation and launch of our innovative Energy Efficiency Loan Program. Both of these lending programs focus on ensuring sufficient access to capital for expansion and modernization along with advisory services.

All of us at Pathway Lending want to thank all of the individuals and organizations that have helped us provide financing solutions and educational services to Tennessee businesses for the last twelve years. We remain committed to our mission of serving small businesses throughout Tennessee and proudly present our 2011 Annual Report.

Sincerely,

A handwritten signature in blue ink that reads "Clint Gwin". The signature is written in a cursive, flowing style.

Clint Gwin

Awards & Recognition



8/12/11
Green Heroes Award
by the Nashville Post



5/18/11
Selected among first participants in the
Goldman Sachs 10,000 Small Businesses Growth Collaborative



1/12/11
Clint Gwin, President of Pathway Lending, appointed to
Federal Reserve Board of Governors Consumer Advisory Council



9/29/10
Tennessee Rural Opportunity Fund wins International
Economic Development Council's 2010 Business Retention and Expansion Award



4/5/10
Tennessee Rural Opportunity Fund wins the 2010 National Community Reinvestment Award
from the Federal Financial Institutions Examination Council

Mission

Driven

“ Providing underserved small businesses with lending solutions and educational services that result in job creation and economic development. ”

What does it mean to be a Pathway Lending client?

➤ Committed Partner

- Committed to helping you and your business succeed
- Willing to listen, willing to help
- Compassionate partner dedicated to your long-term success
- A team that is as entrepreneurial as the businesses we finance

+ Innovative Lender

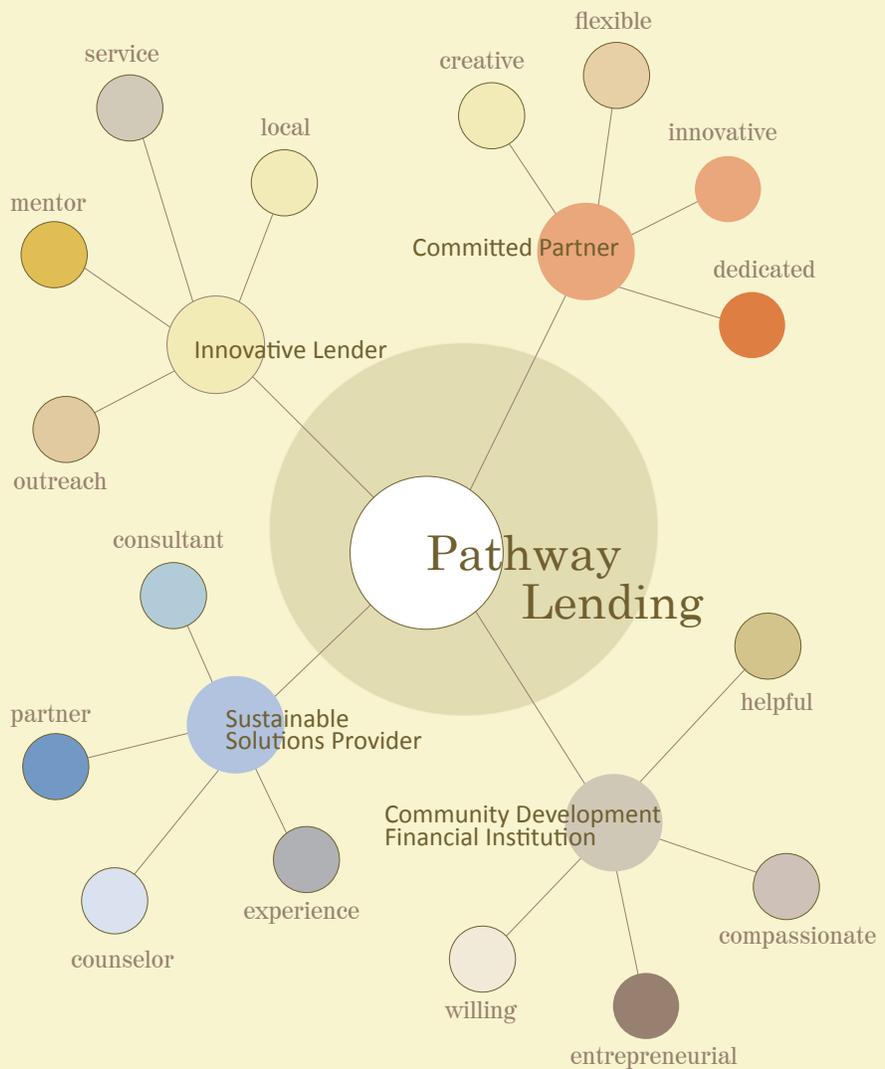
- Flexible and innovative loan products
- A creative lender that is willing to step outside the box and provide nontraditional business loan products
- Loans to innovative, creative and unique businesses that may not find a fit at a traditional bank
- Loans to help businesses save money, succeed and grow

\$ Sustainable Solutions Provider

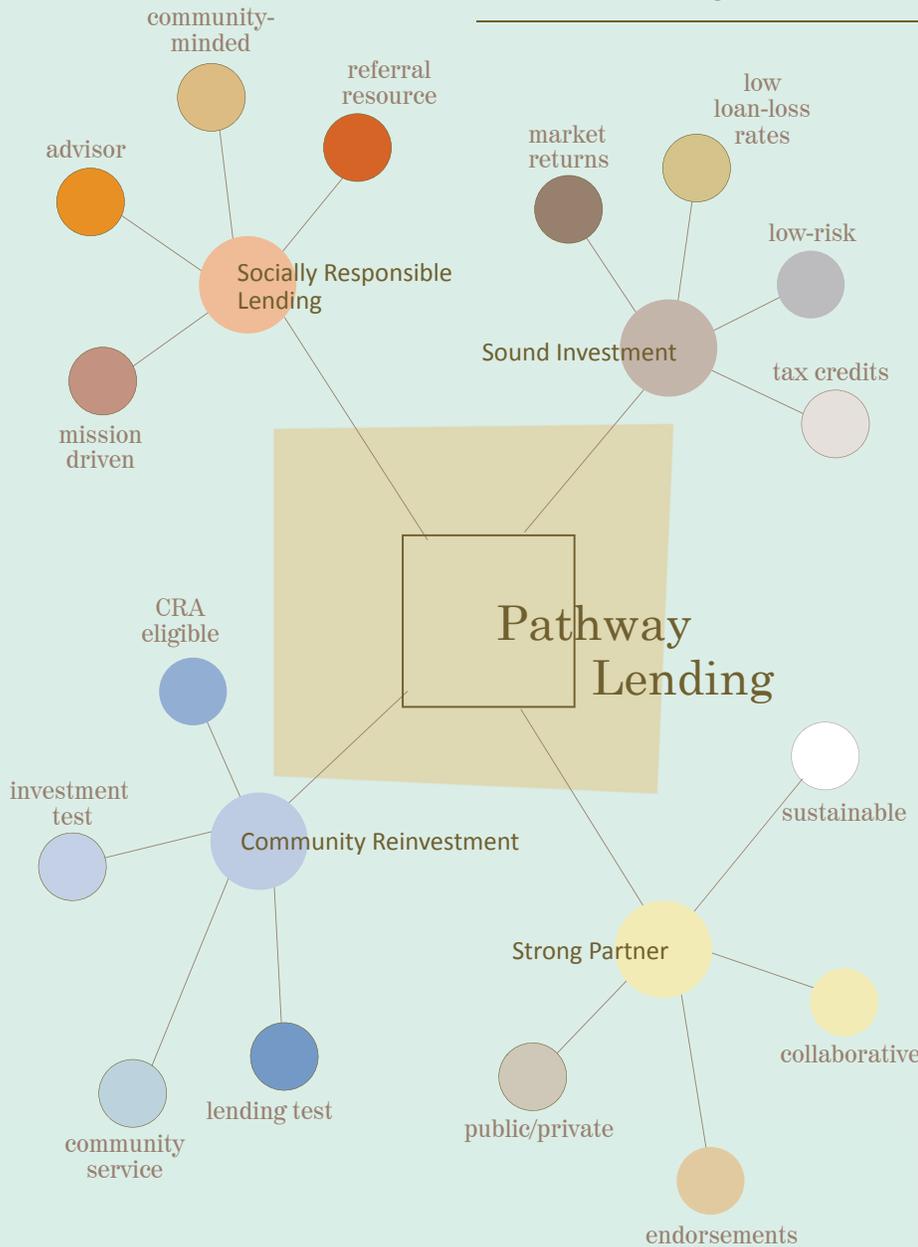
- Technical advisory services and education provider
- One-on-one business counseling
- Staff provides a range of experiences across a number of industries
- A long-term partner dedicated to your long-term success

Community Development Financial Institution

- An economic development organization dedicated to financing underserved businesses and creating jobs
- CDFIs find ways to do deals when other financial institutions will not
- CDFIs help strengthen businesses and serve as stepping stones to conventional banks



What does it mean to be a Pathway Lending investor?



Socially Responsible Lending

- Lends to businesses often left out of mainstream commercial banking
- Works with low-income businesses and individuals with the goal of strengthening communities
- Provides nontraditional loan products and services
- Helps businesses achieve their potential

Sound Investment

- Strong return on investment
- 10-year tax credits
- Leverage of public to private funds
- Low loan-loss rates

Community Reinvestment Compliance

- Tax credit repays principal investment
- Meets federal regulatory requirements for CRA lending and investment tests
- Pathway Lending has received approval by regulators
- Meets bank investment needs in multiple markets, both urban and rural

Strong Partner

- More than 50 public and private investors and stakeholders
- Endorsed Product of the Tennessee Bankers Association
- Long-term, successful partnerships with federal, state, local and foundation entities
- Transparent relationships



ABOUT OUR BUSINESS

2011 LENDING ACTIVITY

Loans (#).....	64
Loans (\$).....	\$15,122,920
Loans outstanding (#).....	158
Loans outstanding (\$).....	\$24,891,831
<hr/>	
Businesses Served.....	54
Jobs created.....	529
Jobs retained.....	116
Client employment.....	1317
Technical assistance.....	521 hours

BORROWER SUCCESS STORIES

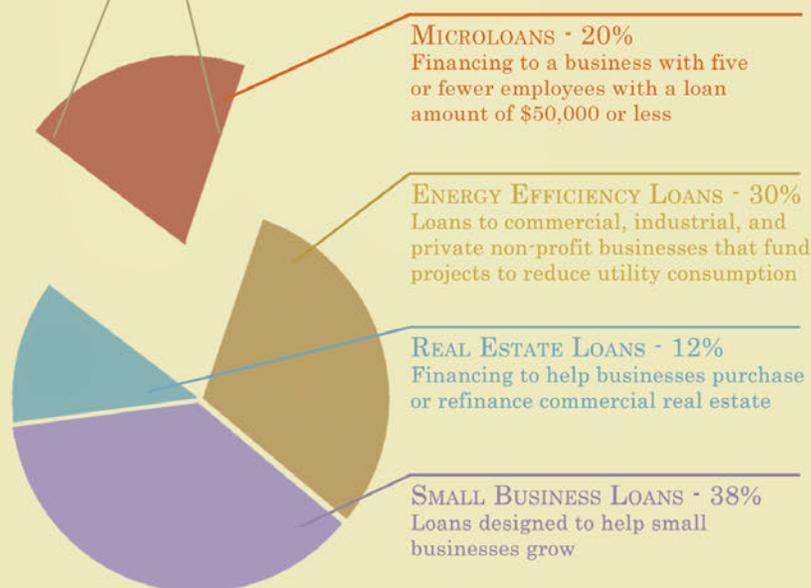
Las Paletas



Helping Home Grown Ideas Take Hold

Las Paletas was started by two sisters after a trip home to Latin America several years ago. Wanting to bring back a bit of their culture to Nashville and have some fun as well, they started selling the simple gourmet popsicle treats known as paletas. The popsicles became so popular they opened a retail outlet and with the assistance of Pathway Lending are now expanding into a new location in an historic neighborhood. Pathway Lending provided the financing for the purchase and renovation of the new building and advisory services focused on cost control and cash flow management. This expanded facility will allow them to increase production, have an improved retail space, and expand wholesale opportunities with other retailers.

2011 Portfolio by Loan Product
(percentage based on number of loans)



Diversified Power International (DPI)



Bringing Jobs Back To Rural Tennessee

Diversified Power International (DPI) is a high-tech manufacturing firm in rural east Tennessee. DPI makes smart battery chargers that are used in automobiles, golf carts, electric vehicles, and for industrial applications all over the world. After experiencing quality control issues with circuit boards being made overseas, the owner made the decision to bring the manufacturing on-shore and expand the plant to accommodate a new assembly process. With funding through the TN Small Business Jobs Opportunity Fund, Pathway Lending assisted in the purchase of DPI's existing manufacturing facility and its expansion to build a "clean room" for the new assembly line. In addition, a line of credit was put in place to provide the working capital the businesses needed to increase production. DPI has grown from 14 to 40 employees in less than 12 months.

Nonconnah Holdings LLC



Better Lights Lead To A Brighter Future

The Nonconnah Corporate Center located in Memphis is home to The Southern Avenue Charter School. The building's owner was in the process of renovating the Center to better serve the school. As part of the renovations, Pathway Lending provided financing through its Energy Efficiency Loan Program to upgrade two buildings totaling more than 56,000 square feet of commercial office space with high-efficiency lighting fixtures and new commercial heating and air conditioning units. This has resulted in the school experiencing lower operating costs and a much improved learning environment for the students.

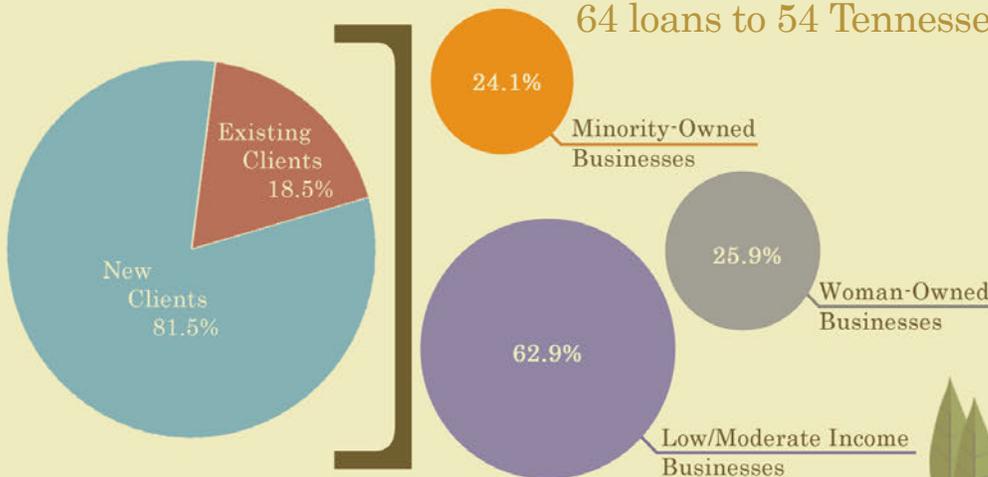
G2 Engineering & Management Inc.



Flexibility Fuels Growth Along The Way

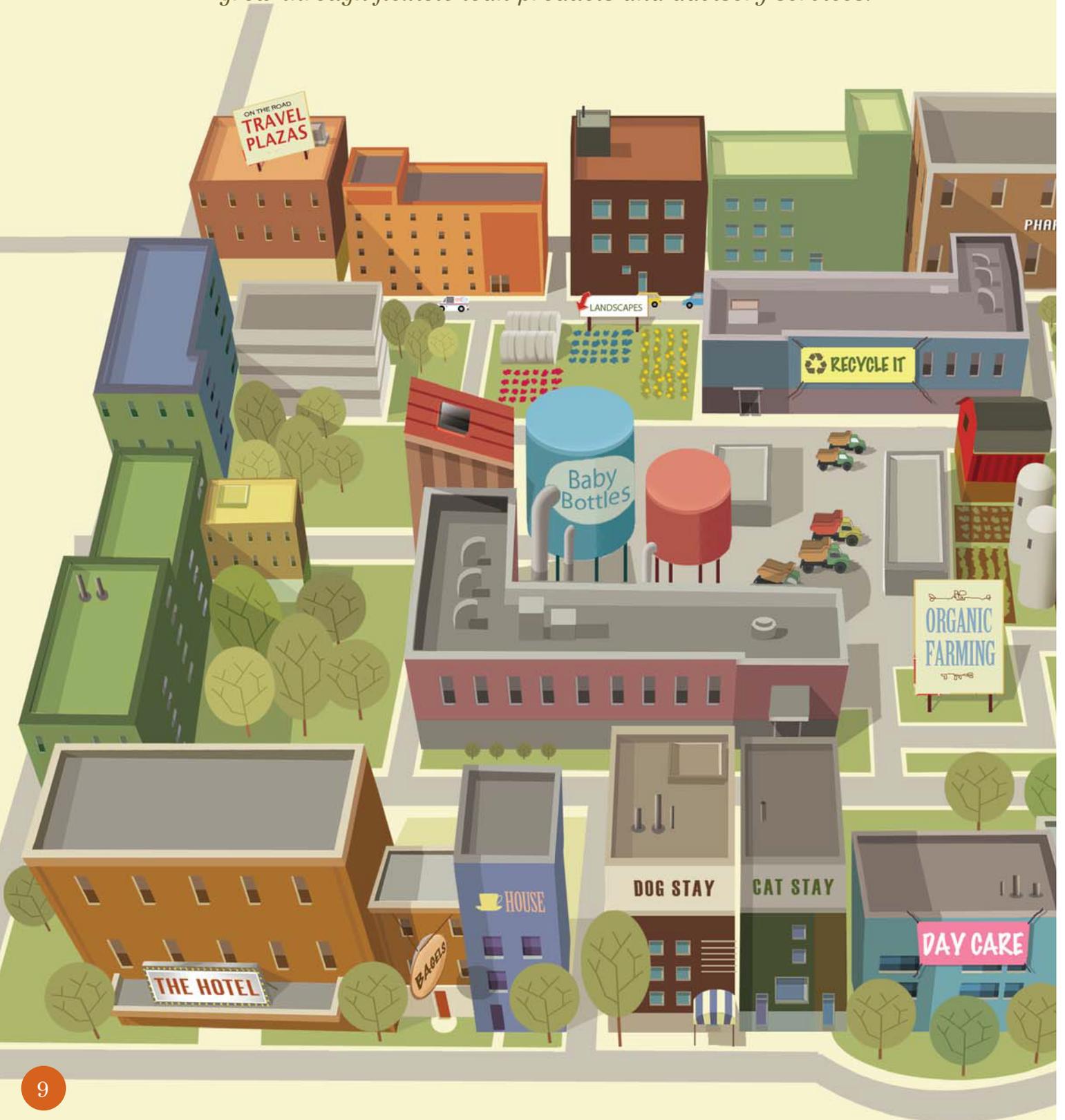
G2 Engineering and Management, Inc (G2EM) is headquartered in the Enterprise Zone in downtown Knoxville. Formed in 2000, G2EM provides high-quality technical, professional engineering and management services to government and commercial clients across the southeastern United States. As an early stage business in 2007, it was awarded several large engineering contracts with the Oak Ridge National Lab and the US Department of Energy. Pathway Lending was able to provide a non-traditional line of credit supported by the contracts that enabled the business to perform. Over the last 5 years, G2EM has continued to be awarded Federal contracts and Pathway Lending has continued to develop credit facilities to accommodate the diverse working capital needs of the business.

In 2011, Pathway Lending provided 64 loans to 54 Tennessee businesses.



Pathway Lending COMMUNITY

Businesses in the Pathway Lending community encompass a wide range of sectors from all parts of Tennessee. From rural Main Street retail to manufacturing and everything in between, Pathway Lending is committed to helping Tennessee businesses grow through flexible loan products and advisory services.



EARTHSAVERS:

A recycling service, offering environmentally conscious disposal of household and office items.

THE BAGEL EXCHANGE:

A bagel shop helping to revitalize Main Street.

THE PLAY CENTER:

A child care facility providing day care for more than 70 children since 1940.

4 COLLISIONWORX:

An auto body and custom paint shop expanding to save jobs.

5 RED ROVER PET SERVICES:

A pet care business providing training, grooming, boarding, and rescue services.

6 PHYSICIANS' PHARMACEUTICAL CORPORATION:

A creator of a medication dispensing program providing physicians with a low-cost solution to fill prescriptions in office.

7 CHARTER OAK ENDODONTICS:

A Main Street endodontics clinic, whose growth is creating new jobs.

8 ARCTEL:

A manufacturer of high-quality, decorative ceiling medallions and mirrors.

9 ECO TRAVEL PLAZA:

A travel plaza aiming to be the most sustainable and eco-friendly business of its kind.

10 MANUFACTURERS INDUSTRIAL GROUP (MIG):

A manufacturer fabricated metals for the automotive and construction industries.

11 KANA HOTEL GROUP:

An operator of hotels across Tennessee and much of the Southeastern United States.

12 WEST WIND FARMS:

A family-owned farming business featuring sustainable organic produce, livestock and pasture production.

13 BDB APPAREL:

A full-service screen printing business whose customers include all branches of the United States Armed Forces and other Fortune 500 businesses.

14 BENCHMARK COMPANIES:

A mulch manufacturer providing playground products to school districts across Tennessee.

15 FANTASY LIMO:

A luxury limousine rental and corporate transportation service.

16 WASHINGTON FARMERS COOPERATIVE:

A farm supply cooperative serving agricultural businesses in Washington County since 1945.

17 LIONS VOLUNTEER BLIND INDUSTRIES:

A non-profit agency providing training and employment opportunities to blind and disabled individuals.

18 MASONRY SPECIALTY CONTRACTORS:

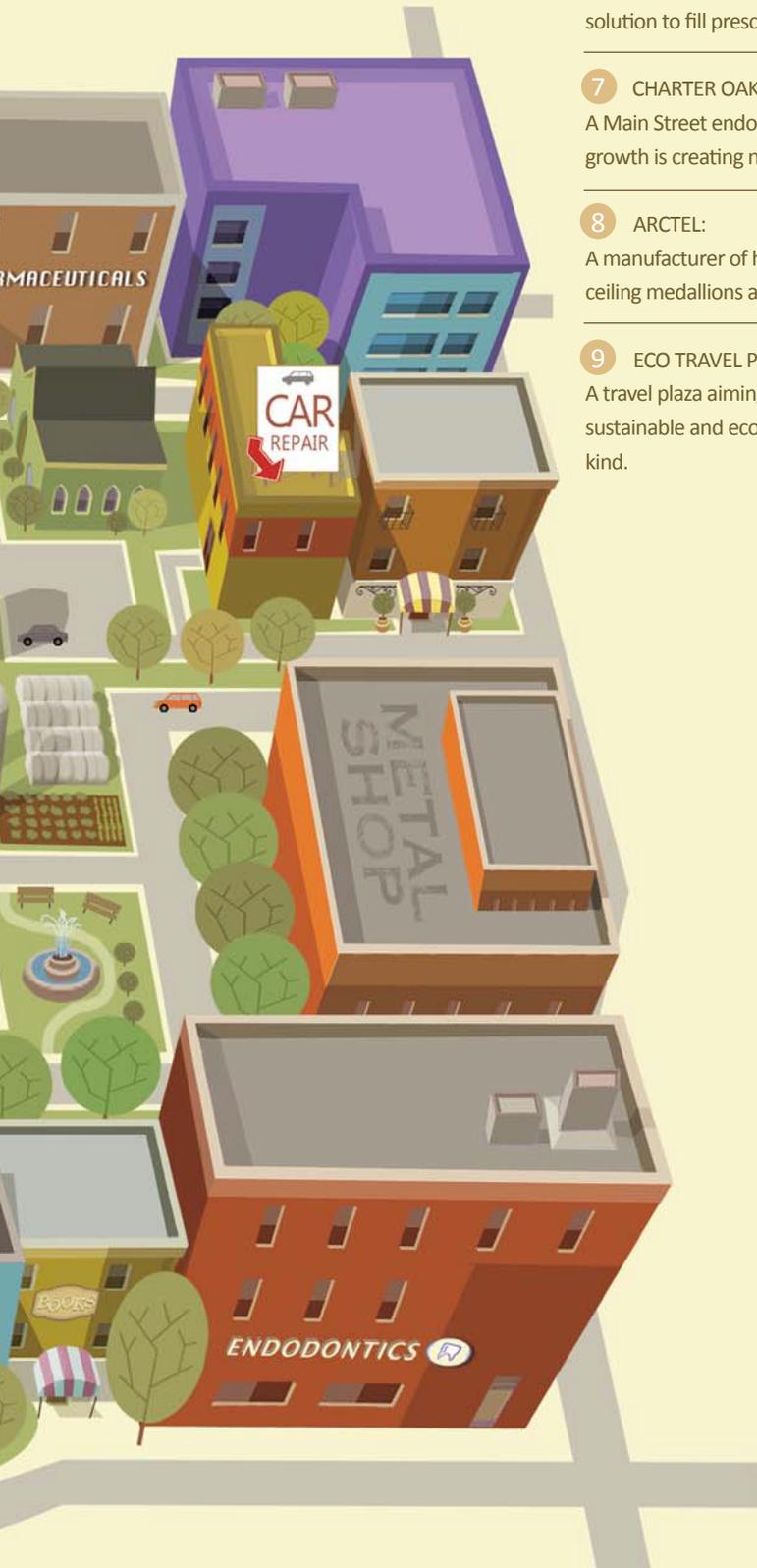
A commercial and industrial brick and block construction company.

19 MIMIJUMI:

A creator of simple, safe and natural baby products for the modern family.

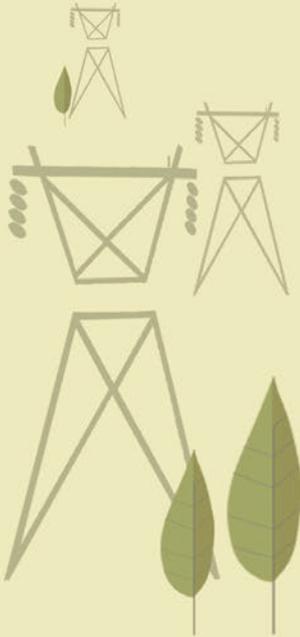
20 MOON TUXEDO RENTAL AND SALES:

A Main Street business providing formal wear in the Tri-Cities since 1983.



Loan Program

ENERGY EFFICIENCY



PUTTING SIGNIFICANT, LONG-TERM SAVINGS



WITHIN THE REACH OF COMMERCIAL, INDUSTRIAL



AND NON-PROFIT BUSINESSES



Why Energy Efficiency?

Peers: From industrial giants to the shop next door, business owners are getting on board with energy efficiency. It's the best way to save money, reduce risk, and maintain a competitive edge.

Profits: Studies show that every \$1 spent on energy efficiency projects yields \$2.84 over the life of the project.

Planet: Technological advances can improve building efficiency by as much as 30%-60%, resulting in lower utility bills and reduced environmental impacts without sacrificing quality or comfort.

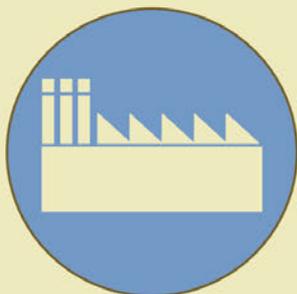
People: People prefer to work in energy efficient buildings. Studies show that productivity increases by 3%-5% and sick days decrease by 20%-25% when energy efficiency measures are implemented.

SAVING ENERGY ACROSS SECTORS

Pathway Lending's Energy Efficiency Loan Program has helped businesses across industry sectors save money by going green.

Here are some highlights from 2011 broken out by sector:

Primary Manufacturing:



\$110,465

Largest average loan amount

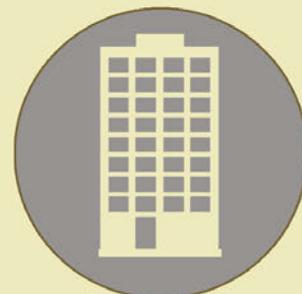
Retail Trade:



15%

Largest volume of loan applications

Business Support Services:



\$60,770

Largest average annual savings

“Energy efficiency improvements are a smart investment for Tennessee businesses. As the private investor in this collaboration, Pinnacle is pleased to be part of an initiative that is good for the environment, good for our businesses, and most importantly, good for our communities.”

- Hugh Queener, CAO, Pinnacle Financial Partners

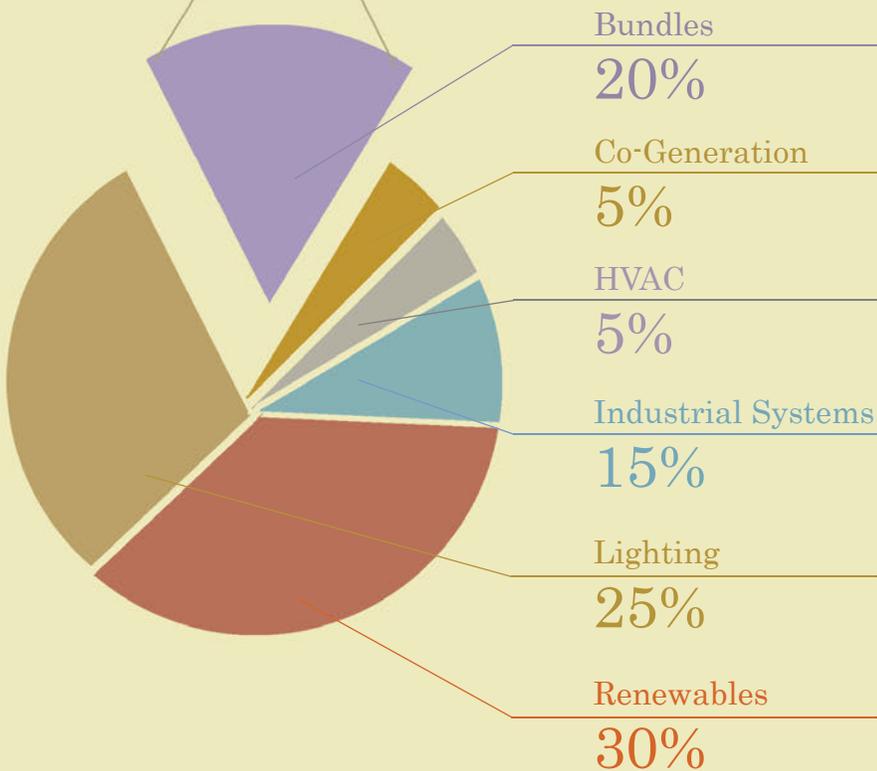
Average annual savings: \$33,293

KwH installed (2011): 4,447,461

Therms installed (2011): 154,303

Bundling multiple projects lets you do more with less as projects with quick returns on investment, like lighting, offset projects with longer payback periods.

2011 Energy Efficiency Loan Portfolio

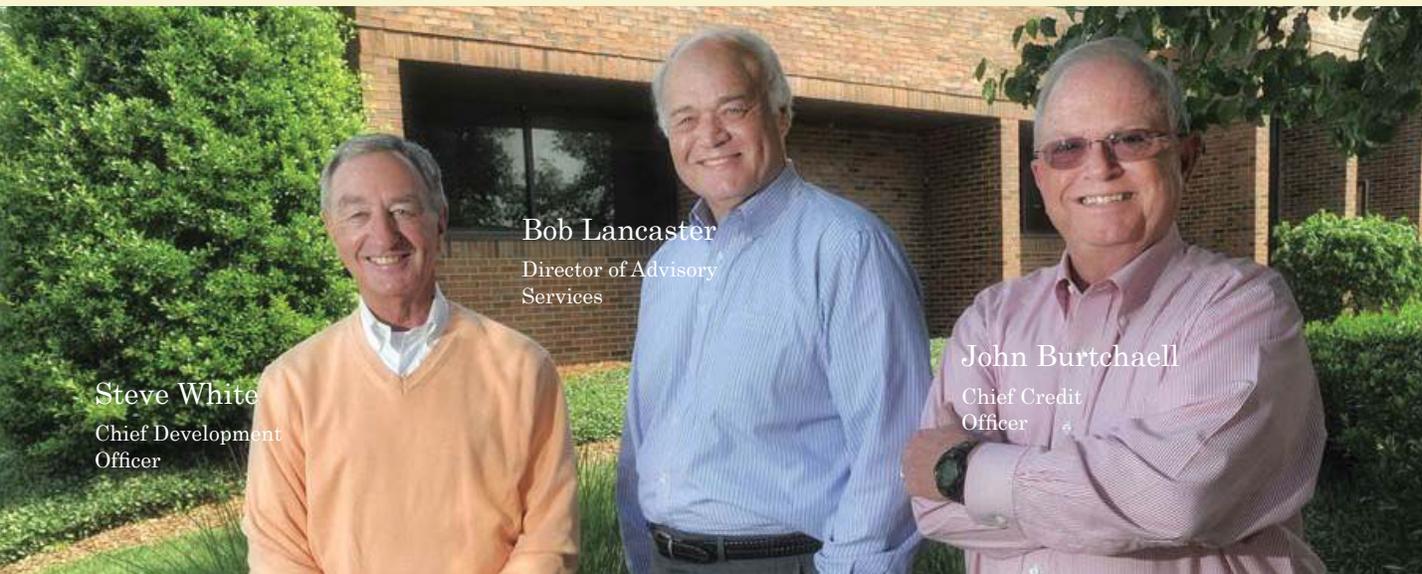


Tennessee Energy Efficiency Loan Program (2010-Present):

This program provides financing for energy efficiency improvements and renewable energy projects, which are traditionally difficult to finance. The program is available to any business with a Tennessee facility. The fund represents a \$50 million commitment to energy efficiency improvements in Tennessee and enjoys support from public and private stakeholders, including the State of Tennessee, the Tennessee Valley Authority, and Pinnacle National Bank.



Experienced Executives COMMITTED TO GIVING BACK



Steve White
Chief Development
Officer

Bob Lancaster
Director of Advisory
Services

John Burtchaell
Chief Credit
Officer

At a time when most executives are planning for retirement, Steve White, John Burtchaell, and Bob Lancaster are beginning the next chapter of their careers. Only now their offices are at Pathway Lending.

White, Burtchaell, and Lancaster are successful Tennessee businessmen with decades of leadership experience in the financial, business and nonprofit sectors. In 2011, each decided to give back, not only to the entrepreneurs that Pathway Lending serves, but to Pathway Lending itself.

“You rarely encounter a person who is willing to devote so much of their time, energy and hard-earned expertise solely to strengthening the businesses of others,” said Clint Gwin, president of Pathway Lending. “In our case, we found and tapped three great experts, which are bringing value-added advisory services to our clients and helping Pathway Lending further develop its sustainable business model.”

➤ USING EXPERIENCE TO OPEN DOORS

Serving in bank leadership positions since 1971, Steve White has developed deep roots in the Tennessee banking

community, making him an ideal ambassador to traditional financial institutions on behalf of Pathway Lending.

“I’ve known of Pathway Lending for years, and I’ve always been impressed with its mission and its employees,” said White. “As Chief Development Officer, I have an opportunity to share with Tennessee banks—my former peers—the value of investing in and working with Pathway Lending as it strengthens our state’s businesses.”

💰 FROM TRADITIONAL TO CREATIVE CREDIT

Over the course of 40 years, John Burtchaell has become a seasoned financial expert in commercial lending and risk management. His ability to find solutions to deeply complex business issues - experience he now dedicates to Pathway - makes him an unparalleled resource in the world of economic development lending.

“I have always felt I was doing the most good when I was creating opportunities for others. I can use my experience to help businesses overcome countless barriers,” said Burtchaell, Chief Credit Officer of Pathway Lending. “Pathway Lending was established to break

down those barriers businesses face when seeking financing, which is why I jumped at the opportunity to help strengthen Pathway and the Tennessee businesses it supports.”

⊕ CURIOSITY LEADS TO SUCCESS

Passionate about education in all its forms, Bob Lancaster serves as Pathway Lending’s Director of Advisory Services. Drawing on years of leadership in the classroom, as well as in executive-level positions at for- and non-profit organizations, Bob provides a profound understanding of best practices that help businesses realize their true potential and grow.

“I decided to join Pathway Lending because here I can use my expertise to help entrepreneurs in our state fulfill their dreams and make this a better place to live and do business,” said Lancaster. “The key to strong leadership—and therefore strong businesses—is intellectual curiosity that spurs continual learning. This is something I’ve always tried to instill in my students and my fellow business leaders.”

Board of Directors

COMMITTED TO THE MISSION



Standing- left to right

Robert Balzar

VP Energy Efficiency
and Demand Response,
Tennessee Valley
Authority

Hugh Queener

Chief Administrative
Officer, Pinnacle
Financial Partners

Joy Fisher

Director of Marketing &
Business Development,
UT Research
Foundation

Tom Rogers

Director of Industrial &
Economic Development,
Oak Ridge National
Laboratories

David Berezov

Associate Professor
of the Practice of Engi-
neering Management,
Vanderbilt University
School of Engineering

Seated -left to right

James Carter

Board Chairman
President, James
E. Carter Associates

Sam Howard

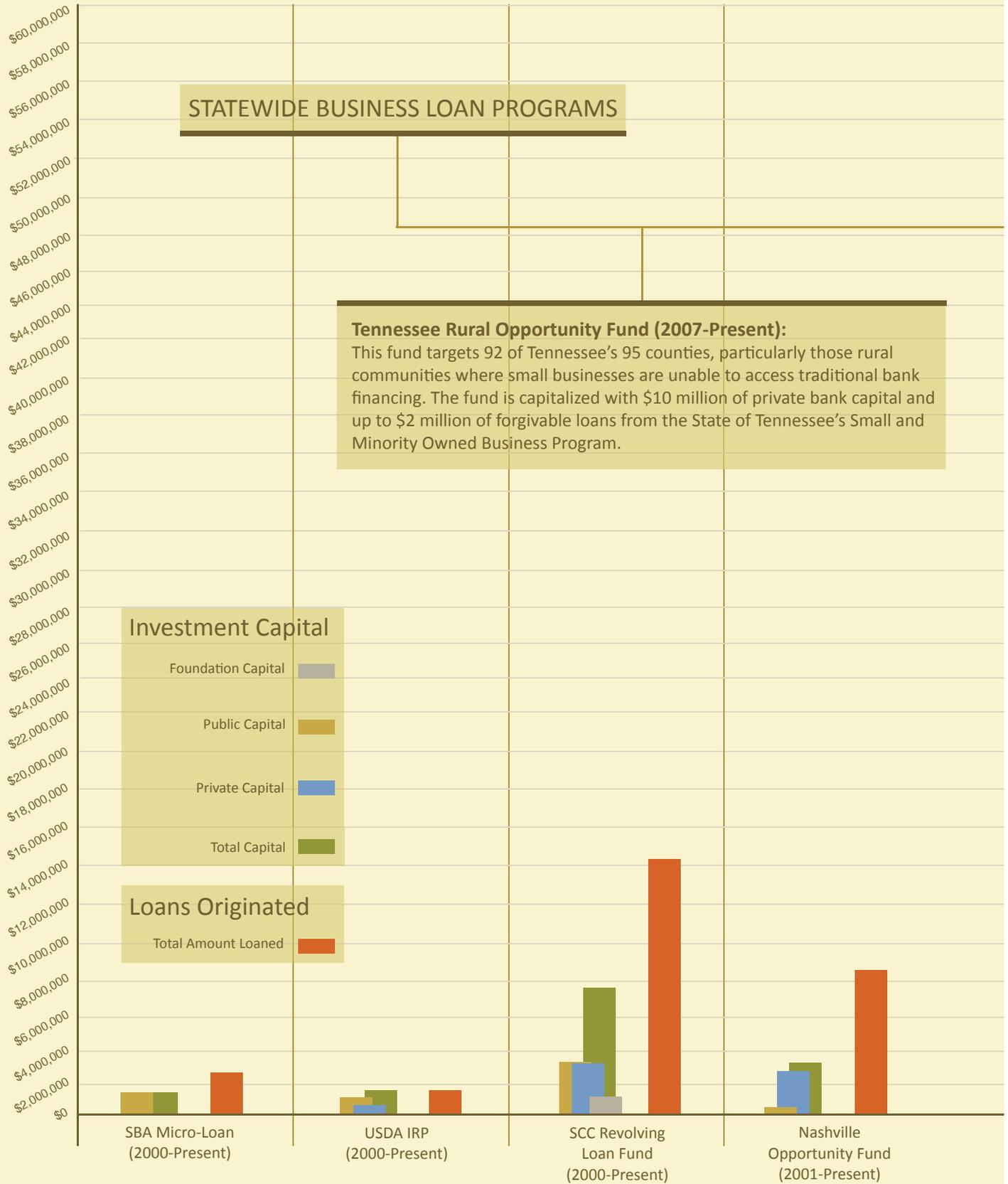
Chairman,
Phoenix Holdings

Not pictured

Mary Neil Price

Attorney, Dickinson
Wright, PLLC

BUSINESS LOAN FUNDS & FINANCIAL PERFORMANCE



Historic Business Lending Activity (2000-2011)

Total Loans:	\$57,484,683
Total Investments:	\$46,476,953
Revolving Fund Rate:	1.25x

Tennessee Small Business Jobs Opportunity Fund (2010-Present):

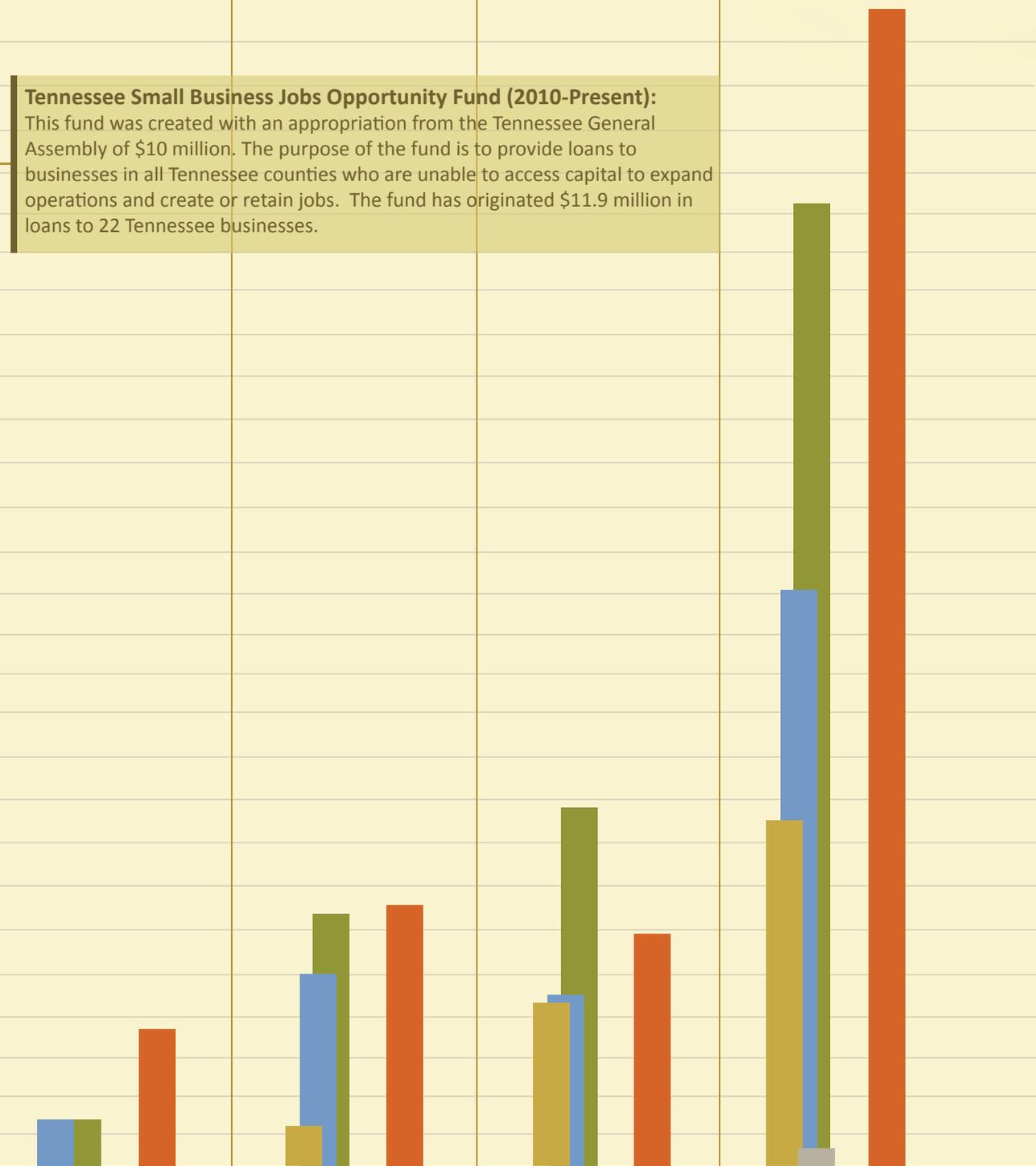
This fund was created with an appropriation from the Tennessee General Assembly of \$10 million. The purpose of the fund is to provide loans to businesses in all Tennessee counties who are unable to access capital to expand operations and create or retain jobs. The fund has originated \$11.9 million in loans to 22 Tennessee businesses.

Knox County
Technology & Jobs Fund
(2006-Present)

TN Rural
Opportunity Fund
(2007-Present)

TN Small Business Jobs
Opportunity Fund
(2010-Present)

Total Loan
Activity
(2000-2011):



	2011	2010	\$ Change	% Change
REVENUE				
PROGRAM REVENUE				
Interest Income Loans	\$1,432,676	\$1,193,056	\$239,620	20.1%
Interest Income Deposits	397,927	115,278	282,649	245.2%
Financing Fees and Charges	87,732	78,803	8,929	11.3%
Management Fees	69,169	68,720	449	0.7%
TOTAL Interest and Program Service Revenue	1,987,504	1,455,857	531,647	36.5%
Grant Revenue to Support Program Services	926,788	1,476,085	(549,297)	-37.2%
TOTAL Program Related Income	2,914,292	2,931,942	(17,650)	-0.6%
Interest Expense	(738,911)	(600,955)	(137,956)	23.0%
Net Earned Income	2,175,381	2,330,987	(155,606)	-6.7%
Provision for Loan Losses	(1,123,433)	(1,165,536)	42,103	-3.6%
Net Income Earned After Provision	1,051,948	1,165,451	(113,503)	-9.7%
PROGRAM SERVICES EXPENSES				
Salaries and Benefits	1,587,032	1,045,967	541,065	51.7%
Professional Services	172,980	218,561	(45,581)	-20.9%
Travel	88,568	48,481	40,087	82.7%
Marketing	87,315	164,474	(77,159)	-46.9%
Occupancy	78,944	67,631	11,313	16.7%
Other Program Expenses	290,110	181,318	108,792	60.0%
TOTAL PROGRAM SERVICES EXPENSES	2,304,949	1,726,432	578,517	33.5%
SUPPORT SERVICES EXPENSES				
Salaries and Benefits	95,367	198,764	(103,397)	-52.0%
Professional Services	22,455	51,590	(29,135)	-56.5%
Other Support Expenses	62,613	162,449	(99,836)	-61.5%
Depreciation	76,361	71,416	4,945	6.9%
TOTAL SUPPORT SERVICES EXPENSES	56,796	484,219	(227,423)	-47.0%
Contributed Loan Capital	5,244,619	8,080,135	(2,835,516)	-35.1%
CHANGE IN NET ASSETS	\$3,734,822	\$7,034,935	\$(3,300,113)	-46.9%

	2011	2010	\$ Change	% Change
ASSETS				
CASH AND CASH EQUIVALENTS				
Operations	\$1,819,975	\$1,599,289	\$220,686	13.8%
Restricted Cash - Lending	30,166,547	21,608,018	8,558,529	39.6%
Restricted Cash - Loan Loss Reserves	3,947,290	4,103,643	(156,353)	-3.8%
TOTAL CASH	35,933,812	27,310,950	8,622,862	31.6%
Loans	24,891,831	17,211,020	7,680,811	44.6%
Allowance for Loan Losses	(1,690,943)	(1,068,069)	(622,874)	58.3%
Net Loans	23,200,888	16,142,951	7,057,937	43.7%
Grants Receivables	748,469	8,302,823	(7,554,354)	-91.0%
Accrued Interest Receivables	136,072	153,377	(17,305)	-11.3%
Other Assets	333,827	449,870	(116,043)	-25.8%
Property and Equipment, net	1,547,326	1,613,680	(66,354)	-4.1%
TOTAL ASSETS	61,900,394	53,973,651	7,926,743	14.7%
LIABILITIES				
Accounts Payable	79,929	154,783	(74,854)	-48.4%
Interest Payable	415,836	392,062	23,774	6.1%
Lines of Credit Payable	336,287	336,250	37	0.0%
Mortgage Payable	1,401,353	1,502,045	(100,692)	-6.7%
Notes Payable (Program Borrowings)	11,954,257	13,044,149	(1,089,892)	-8.4%
Notes Payable (Program EQ2)	25,237,641	22,324,304	2,913,337	13.1%
Deferred Revenue Attributable to State Grants	9,363,583	7,243,515	2,120,068	29.3%
Other Deferred Revenue	379,092	76,675	302,417	394.4%
Funds Managed for Third Parties	106,484	106,484	-	0.0%
Other Liabilities	218,924	121,198	97,726	80.6%
TOTAL LIABILITIES	49,493,386	45,301,465		
NET ASSETS				
Unrestricted	11,696,968	7,857,365	3,839,603	48.9%
Temporarily Restricted	710,040	814,821	(104,781)	-12.9%
TOTAL NET ASSETS	12,407,008	8,672,186	3,734,822	43.1%
TOTAL NET ASSETS AND LIABILITIES	\$61,900,394	\$53,973,651	\$7,926,743	14.7%

RATIOS (as of 12/31)	2011	2010
Net Assets vs. Total Assets:	20.04%	16.07%
Allowance for Loan Losses/Total Loans:	6.79%	6.21%
Delinquencies (>90 Days):	0	0
Loan Loss Ratio vs. Average Outstandings:	2.35%	5.19%
Earned Income/Program Expense:	63%	81%
Deployment Ratio:	43%	42%
Staffing Level:	18	13

HISTORIC PORTFOLIO COMPOSITION (as of 12/31/2011):	
Commercial Real Estate Loans:	31%
Commercial Loans (>\$50,000):	58%
Energy Efficiency Loans:	9%
Micro Loans (<\$50,000):	2%
Total Portfolio Outstanding:	\$24,891,831

Thank you to all of the organizations that have shown their commitment to Tennessee's communities by partnering with Pathway Lending over the last 12 years. Your support is greatly appreciated.

STAKEHOLDERS:

Foundations:

- Calvert Social Investment Fund
- Community Reuse Organization of East Tennessee (CROET)
- Joe C. Davis Foundation
- Seedco Financial Services

Federal Stakeholders

- Community Development Financial Institutions Fund (U.S. Department of Treasury)
- Tennessee Valley Authority
- U.S. Department of Agriculture
- U.S. Department of Energy - Oak Ridge National Laboratory
- U.S. Economic Development Agency
- U.S. Small Business Administration

State Stakeholders

- Tennessee Department of Economic & Community Development
- Tennessee Small and Minority Owned Business Program
- Tennessee Department of Revenue

Local Stakeholders

- City of Chattanooga
- City of Memphis
- Knox County
- Metropolitan Development & Housing Agency (Nashville, TN)

Private Stakeholders:

- Avenue Bank
- Bank of Bartlett
- Branch Banking and Trust Company
- CapStar
- Citizens Bank (Carthage)
- Citizens Bank (Elizabethton)
- Citizens National Bank (Athens)
- Commercial Bank and Trust
- Community Bank & Trust
- Community South Bank
- Decatur County Bank
- F&M Bank (Clarksville)
- Farmers and Merchants Bank (Trezevant)
- Farmers Bank and Trust
- First National Bank of Oneida
- First State Bank
- First Tennessee
- FirstBank
- GreenBank
- Insurors Bank of Tennessee
- Jefferson Federal Bank
- Legends Bank
- Macon Bank and Trust Company
- McKenzie Banking Company
- Peoples Bank
- Pinnacle National Bank
- Regions Bank, NA
- Reliant Bank
- Renasant Bank
- SunTrust Bank, NA
- Tennessee Commerce Bank
- Tennessee State Bank
- The Bank of Nashville
- TNBank
- Wayne County Bank
- Wilson Bank and Trust Company



BERO ANNUAL REPORT FY2012

ATTACHMENT D

TENNESSEE SMART START





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- Starting a New Business

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Small businesses make up the vast majority of all companies in Tennessee and are the backbone of our state's economy. Some of the largest, most well-known companies in Tennessee today began with small business owners who dared to dream big, worked hard and were not afraid to take risks.

The challenges and obstacles that entrepreneurs face are unique and often intimidating. Adequate support and resources are crucial to navigating the early days of a new venture.

This guide is designed to support the successful growth and expansion of small businesses and aspiring entrepreneurs. With one of the country's best business climates, there's no better place to start or grow a business than in Tennessee and no better time than now!

We invite you to explore the opportunities.

SELECTING A
Business

For the starting entrepreneur one of the first decisions you will need to make is whether to purchase an existing business, franchise or to start a new business. There are unique benefits and concerns for each option however it is ultimately up to you to decide which course to take.

Purchase an Existing Business

You may save time and trouble by purchasing an existing business. If you are considering purchasing a business that is a sole proprietorship or general partnership you are buying assets from the owner. You will need to obtain a new business license for the existing business from your county clerk office. You are not assuming liabilities unless you specifically agree to it. Make sure all taxes that were due prior to the purchase are paid or you may be required to pay outstanding taxes.

The advantages of buying a business are avoidance of start up costs usually little to no downtime in acquiring customers established vendor relations and some kind of financial history on which you can base your decision. The disadvantages of buying a business may be the other side of the advantages listed. There may be few customers to acquire vendor relations may be

terrible because of unpaid bills and the financial history may not be as rosy as the owner projects.

Once you have decided to purchase an existing business, there are a few steps to take. Decide what you want the business to accomplish. Do you want to make a living provide employment for you a spouse children and their spouses locate an existing business that is for sale. Entrepreneurs may use business brokers to find businesses that are for sale the chambers of commerce and business advisors such as attorneys and accountants may also know of businesses for sale. Determine the value of the business you plan to buy. This is as much art as science. A business is valued by either the worth of its assets ability to generate cash the client base earning ability or physical assets only. An analysis of the company's profit-and-loss statements from three years should help you determine trends a rough cash flow and profitability of the business.



Most entrepreneurs are compelled to seek outside financing to close the deal. In these cases most lenders will require some owner financing. This serves to reduce their risk as well as keep some owner involvement or at least interest in the continued success of the venture.

The bottom line is that after careful and knowledgeable analysis you can purchase a business that can help you realize your dreams however without a careful and knowledgeable analysis the purchase can turn into a nightmare of bankruptcy and strained relationships.

There are also franchise assistance companies that help individuals identify the franchise that is right for them. These companies will do a lot of research for you and they have relationships with many existing franchisers. They can also assist you with turning your existing business into a franchise model. These companies include Entrepreneur's source and ranet and ranhoice among others. These companies will either charge you or the franchisers a fee for their services.

The Entrepreneur's source helps individuals by educating, coaching and guiding them through franchise ownership. They charge a flat fee once you have identified the franchising opportunity to pursue. Their initial services are provided at no cost.

Ranet recommends franchise opportunities, educates you on anticipated cost financing options and training. Ranet offers their information and services at no charge as they are paid by the franchiser.

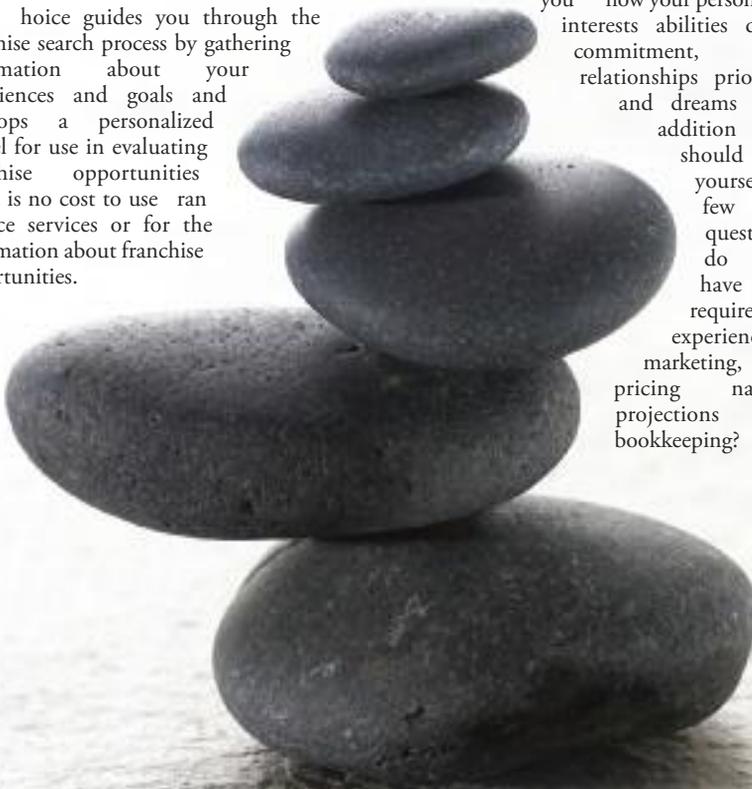
Ranhoice guides you through the franchise search process by gathering information about your experiences and goals and develops a personalized model for use in evaluating franchise opportunities. There is no cost to use Ranhoice services or for the information about franchise opportunities.

Starting a new business

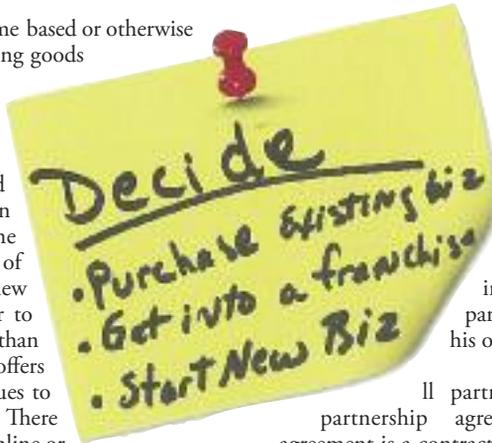
The benefits of starting your own business include flexible hours, being your own boss, getting away from a corporate setting and having no limit to your income. The time required in a start up business, energy needed to run a new business, stress put on family and financial stress could be a few of the concerns for starting a business. The online entrepreneur self assessment www.sba.gov/content/use-our-starting-assessment-tool can be used to determine if you are ready to start your own business.

Will you be working full-time or part-time? Part time home based business can add income to increase the household budget. Starting part time enables you to learn valuable lessons in business management especially time management. These lessons can function as a stepping-stone to running a full-time business.

As you enter this endeavor, recognize that the most important ingredient is you. Now your personality, interests, abilities, drive, commitment, relationships, priorities and dreams. In addition, you should ask yourself a few questions: do you have the required experience in marketing, pricing, financial projections and bookkeeping?



Remember businesses home based or otherwise do not operate by producing goods or services. They operate by selling those goods and services at a profit. They make profits by controlling costs to produce goods and services at a lower cost than they sell them for. The business you are thinking of starting require learning new skills. It may be harder to develop skills on your own than in a corporate setting that offers training as well as colleagues to help the learning process. There are a variety of resources online or in person.



general partnership must file an annual information return to the IRS to report the income, deductions, gains, losses, etc. from its operations, but it does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return.

Setting Up Your Business

Choosing the right legal structure for your business will require that you to contact an attorney or a business counselor. You need professional advice on the pros and cons of each legal structure. Legal structures include sole proprietorships, partnerships, corporation, S corporation (also called subchapter S corporation), limited liability company or Limited Liability Partnership.

Sole Proprietorships

The majority of small businesses start out as sole proprietorships. One person, usually the individual who has day-to-day responsibilities for running the business, owns the firm. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for all of its liabilities. In the eyes of the law and the public, you are one in the same with the business. Sole proprietorships pay less in taxes than corporations. Net income from the business is regular income. It is reported on the owner's personal income tax return. Sole proprietors need a business license from the county and/or municipality in which the business operates.

Partnerships

A general partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor, or skill and expects to share in the profits and losses of the business. An example of a general partnership is a husband and wife owned business. This type of partnership is not a form of a corporation and carries the same personal liability as a sole proprietorship.

All partnerships should execute a partnership agreement. The partnership agreement is a contract between the partners of the business that details expectations, contributions, and the responsibilities of each partner. Discuss future expectations with your partner(s). Do they want to grow a company to operate, do they want to grow a company to sell short term? How will profits be distributed and what percentages? Each partner should contribute value to the business and each partner must recognize the value of the others' contributions. Determine ahead of time who will contribute cash, labor, industry experience, and knowledge, sales leads, loans, or guarantees. Responsibilities may differ from contributions, so be sure to define the partner's individual responsibilities as well as the group responsibilities. Include who can sign debt instruments for the partnership, who determines compensation, salaries, draws, or profit sharing, who will handle the record keeping, who oversees recruitment, to or dissolution of the partnership, and who can make amendments to the partnership agreement. In any case, the partnership agreement should be a written, notarized document.

A lawyer can draw up the agreement and act as a facilitator to cover points not previously included. There are examples of partnership agreements online at www.tn.gov/sos, www.sba.gov and www.score.org.

Legal Structures Include:

- Sole Proprietorships
- Partnerships
- C Corporations
- S Corporations
(also called subchapter S Corporation)
- Limited Liability Company

Corporations

incorporation gives the business a legal existence separate from an individual person. That is, it can own assets and conduct business in its own name.

business assumes a corporate identity when registered or “incorporated with the Tennessee secretary of state. incorporation can shield you and the stockholders from personal liability from any lawful activities. Corporations pay federal taxes at a higher rate than sole proprietors. The corporation is liable for the state’s franchise and excise tax. There are two basic types of corporations: the C and S Corporations.

C corporations are standard corporations that are primarily used by large groups of investors. A few of the requirements to be a C corporation include having a board of directors and corporate officers having stockholders as owners, holding regular board meetings, maintaining board minutes and approving corporate resolutions. The corporation allows the board to authorize certain actions such as borrowing money, entering into contracts and allocating corporate resources beyond routine business transactions.

If your business is an eligible domestic corporation, you can avoid double federal taxation (paying taxes to the corporation and again to the shareholders) by creating a S corporation under the rules of Subchapter S of the Internal Revenue Code. Under the laws of Tennessee, an S corporation is incorporated; therefore, they are subject to state franchise and excise taxes. In this way, the S corporation passes its items of income, loss, deduction and credits through to its shareholders to be included on their separate returns.

If the company is incorporated outside of Tennessee, you are required to obtain a Certificate of Authority to conduct business operations within Tennessee. The Certificate of Authority is evidence that out-of-state corporations are in good standing in their state and are authorized to conduct business in the state of Tennessee.

Basic requirements for S Corporations include:

The company must be a Domestic Corporation with one class of stock

Have no more than 35 citizens or legal resident shareholders

All your shareholders must consent to S Corporation status

Use a permitted tax year

Company must file IRS Form 2553

Limited Liability Company

Limited Liability Company (LLC) is a relatively new business structure allowed by state statute. An LLC can be expensive to organize and requires more administrative work than other legal forms of business. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. Other features of LLCs are more like a partnership, providing management flexibility and the benefit of pass-through taxation. Owners of an LLC are called members. Since most states do not restrict ownership, members may include individuals, corporations, other LLCs and foreign entities (businesses outside of Tennessee). There is no maximum number of members. Most states also permit “single member

LLCs, those having only one owner. A few types of businesses generally cannot be LLCs, such as banks and insurance companies. There are special rules for foreign LLCs.

The Tennessee Bar Association (TBA) will guide you to a legal referral service and help you determine if you would qualify for free legal service. The TBA also has an online information section titled LawBytes. LawBytes is a free public service program that offers easy to understand summaries on more than 100 topics ranging from employment law to wills and estates. More information about TBA and LawBytes can be found online at www.tba.org.

The Tennessee Society of Certified Public Accountants (TSCPA) is the state professional organization for certified public accountants. The TSCPA can help businesses find a Certified Public Accountant (CPA) to assist with the start up and running of the business. The TSCPA also has an online Small Business Resource Center. The Small Business Resource Center mission is to educate, provide information and resources that would assist small business enterprises. This and more information can be found online at www.tncpa.org.

Foreign Owned (Out of State) Corporations

The state of Tennessee recognizes businesses incorporated outside of Tennessee as foreign owned (or out of state) corporations. When you relocate your business to Tennessee, you will need to decide if you will operate your business as a foreign owned business or establish your business as a Tennessee corporation. Foreign owned businesses pay a one time \$600 fee and a \$20 annual fee to the Tennessee Secretary of State. You will need to fill out application form SS-4429 for corporations and application forms SS-4429 for an LLC. These forms can be found online at www.tn.gov/sos. A letter of good standing from your original state needs to accompany your application. Typically remaining a foreign owned business is beneficial only if you plan to continue operations in your original state. A tax professional can advise you on the specific tax liabilities for your business.

If you plan to cease operations in the state you are moving from, you should register your business with the Tennessee Secretary of State as a Tennessee corporation. You can register your corporation online through the Tennessee Small Business Resource portal at www.tennesseeanytime.org/osbr. In addition to registering your corporation with the Tennessee Secretary of State you can register with the Tennessee departments of Revenue and Labor and Workforce Development.

You will most likely need to obtain local business licenses through the county clerk office where the

business will be located in Tennessee. If you are in a regulated industry such as general contracting that requires specific licenses check with the regulatory agency who licenses you to see if they have a reciprocal agreement with the state of Tennessee to transfer your license.

FEIN

If you do not want to use your social security number to identify your business, you are required to obtain a Federal Employer Identification Number (FEIN) from the IRS. The FEIN is your business's permanent identification number and can be used for most of your business needs including opening a bank account, applying for business licenses and filing a tax return by mail.

You can register for your FEIN online at www.irs.gov or by calling 1-800-829-4970. All corporations and partnerships are required to have an FEIN.

Requirements for an LLC include:

- Membership fee is due annually
- LLC fees range from \$300 - \$3,000
- An annual report filed with the Secretary of State
- Financial records prepared for any member requesting them
- Board minutes recorded and maintained
- Memberships sold only when all members agree to the transaction

Advantages of Tennessee

There are many benefits to relocating your business to Tennessee. Tennessee fosters a pro-business climate that gives access to vital economic components, such as a right to work environment, a dependable and educated workforce, and a wealth of technology resources that provide opportunity for business growth and profitability. In addition, Tennessee offers a reasonable cost of living and does not impose a personal state income tax or a state property tax.

Tennessee compares favorably with the cost of living in other states. In fact, its eleven largest cities rank below the national average for cost of living and housing costs are among the lowest in the nation. Tennessee enjoys a generally mild climate, providing favorable conditions for the state's many advantages as well as working and living with a minimum of weather-related disruptions. Tennessee borders eight states and is within a day's drive of 90 percent of the U.S. population.

Tennessee has a strong entrepreneurial climate. Recently, Tennessee ranked as having the fourth highest entrepreneurial activity rate in the nation in a national study. The state of Tennessee supports small businesses and entrepreneurs with a low business tax burden, lower cost of living, an online business registration system, access to nontraditional financing, and a diverse, robust economy proximate to three quarters of the U.S. population.

Relocating Your Family

The state of Tennessee provides a newcomer's guide online at www.tennesseeanytime.org. The guide provides helpful links and information on becoming a legal resident in Tennessee and familiarizing yourself with Tennessee's communities, neighborhoods, and education systems.

Taxes and Insurance

When you start or expand a business in Tennessee, it is important to understand the potential tax liability. This section will provide you with a basic understanding of standard taxes that may affect you while doing business in Tennessee. The information provided in this section will assist you in estimating tax payments to include in cash flow projections of the business plan. You should also consider local property taxes and special excise taxes that may be applicable. The main areas of tax for small businesses are local, state, federal, franchise and excise taxes and sales and use taxes.

Local, State and Federal Taxes

The Tennessee General Assembly authorizes counties and municipalities to levy a privilege tax that is a tax for the privilege of operating a business in their jurisdictions. All counties with the exception of Clay, LaBorne and Organ levy the tax as a business license tax. Incorporated cities can also impose the privilege tax. This tax is based on a percentage of sales or gross receipts in succeeding years. If the business has a physical location in several different cities or counties, the business is liable to each city or county based on sales or receipts accumulated in each location. All businesses generally are subject to this tax.

Exempt businesses include manufacturers, businesses with less than \$1 million in annual sales and professionals such as doctors and lawyers. The Treasury collects federal taxes through the Internal Revenue Service (IRS). The legal structure of your business determines what federal taxes are due and payable. There are four general kinds of federal business tax: federal income tax, self-employment tax,



Franchise Tax:

- Tax on the greater of net worth or book value of property owned or used in Tennessee
- Tax rate is 25 cent per \$100
- Pollution Control Equipment is exempt
- Property under construction and not being utilized will not be included in the tax base
- Property rented from the industrial development corporation may be valued by capitalizing it on the books

Excise Tax:

- Tax is based on the net earning of the company derived from doing business in Tennessee
- Tax rate is 6.5%
- Sales outside of Tennessee are not taxed
- All capital losses are claimed in the year incurred

Net operating losses can be carried forward for 15 years Sales and Use Tax

- 7% state sales tax plus the applicable local rate (2.25% - 2.75%) on any person or company who manufactures, distributes or sells tangible personal property within the state
- No Sales Tax is levied on: Purchases, installation, and repairs of qualified industrial machinery

Raw materials for processing

- Pollution control equipment for manufacturers
- Reduced sales tax rates for manufactures' use of energy fuel and water (1.5% vs. 7%)
- Qualified industrial supplies
- Items purchased for resale
- Containers, packaging, and wrapping materials
- Additional exemptions of credits may be available
- Industrial Machinery Tax Credit Offset up to 50% off

www.tn.gov/ecd/bd_home.html

employment tax and excise tax. Every business must file an annual income tax return to the federal government publication released in January is a good starting point for information about federal taxes. This and many more relevant publications can be found online at www.irs.gov

The Tennessee Department of Revenue is the state's chief tax collector and is responsible for collecting approximately 10 percent of total state tax revenue. The most common business taxes they collect are franchise and excise taxes and sales and use tax. The department publishes a start up guide specific to tax liabilities. You can access the guide online at www.tn.gov/revenue.

Franchise and Excise Tax

Tennessee's franchise and excise taxes are corporate taxes. The franchise tax is based upon the higher of either the corporation's net worth or the book value of real and tangible property owned or used in the state, plus rental values. Most businesses (except general partnerships, sole proprietorships and those businesses exempt in

organized for profit and doing business in Tennessee are subject to the state's franchise tax. Out of state companies doing business in Tennessee are liable, even if they are not based in Tennessee but they may apportion their tax base. If you have a question concerning whether or not your business is exempt from this tax, please contact the Tennessee Department of Revenue.

The excise tax is based upon the net earnings of taxable entities conducted within Tennessee. Most businesses (except general partnerships, sole proprietorships and those businesses exempt in organized for profit and doing business in Tennessee are subject to the state's excise tax. Out of state companies doing business in Tennessee are liable even if they are not based in Tennessee but they may apportion their tax base. If you have a question concerning whether or not your business is exempt from this tax please contact the Tennessee Department of Revenue at www.tn.gov/revenue.

Sales and Use Tax

The sales and use tax is a consumer oriented tax imposed on the manufacture, distribution or retail sale of tangible personal property within the state. It also is imposed on many forms of services. Any business that sells, leases or rents tangible personal property or services (unless the business is specifically exempt) is liable.

Assistance with Taxes

The Tennessee Department of Revenue provides assistance to new and existing businesses to understand and comply with their tax burdens. The department sponsors educational workshops that are delivered through small business development centers throughout the state. You can find contact information for the centers in the Resource section of this guide. The department also publishes free CDs and online video instructions for small business at www.irs.gov/smallbusiness. The Tennessee Department of Revenue publishes a tax guide for new businesses. You can also send questions via e-mail to venue@tn.gov.

Registering Your Business

You can register your business with the Tennessee Department of Revenue online at: <https://apps.tn.gov/bizreg>

Tax Based Incentives

Tennessee allows businesses a franchise and excise tax credit based on a minimum level of capital investment and number of jobs created. The amount of tax credits and the period of time the credits may be used are determined by the size of the business investment. Typically the minimum requirements are \$500,000 in capital investment and creation of new full time jobs with benefits over a 12-month investment period. Credits include distribution and warehouse, call and data centers, headquarters, manufacturing, industrial machinery, emerging industry and pollution control equipment. Tax incentives are based on Tennessee statutes that are set forth by the Tennessee General Assembly. Detailed information on all of the tax credits listed above can be found online at www.tn.gov/ecd/BD_home.html.

Work Opportunity & Welfare to Work Tax Credits

The Work Opportunity Tax Credit and Welfare to Work Tax Credit programs are designed to help individuals facing barriers move into gainful employment. The program encourages employers in the private sector to hire job seekers from one of the

designated target groups. The target groups are residents of welfare family households, veterans with 90 days active duty who live in a food stamp household, ex-felons who have been convicted or released within the last 12 months, residents and summer youth in designated depressed "enterprise zones," food stamp recipients and TANF recipients. The Welfare to Work program is designed to encourage long term employment of welfare recipients. Employers receive tax credits totaling \$1,000 per employee the first year and \$5,000 per employee the second year. To apply for the tax credits, the application must be postmarked within 180 calendar days following the start date of employment. For more information, call the State Coordinator at (615) 532-2300 or visit www.tn.gov/labor/wfd and select "Businesses and Employers."

All taxes listed previously in this section constitute most of the taxes common to businesses in Tennessee. Businesses may be liable for other taxes ranging from mortgage registration taxes to auto license taxes. Additionally, the Tennessee General Assembly considers exemptions and adjusts rates in virtually every session. As a business owner, you are encouraged to contact the Tennessee Department of Revenue for the most current tax information. The department of Revenue's website is www.tn.gov/revenue.

Workers' Compensation

Required in every state except Texas, workers' compensation insurance pays for employees' medical expenses and missed wages if injured while working. In Tennessee, workers' compensation coverage is required for employers that employ five or more persons for pay (construction businesses have stricter requirements). Workers' compensation is acquired through insurance agents who obtain the actual coverage through licensed insurance companies. Due to rating deregulation, rates and premium amounts will vary between insurance companies. If an employer is unable to obtain this coverage, they may submit an application to the Tennessee Workers' Compensation Insurance Plan to get workers' compensation. You should visit www.twcip.com to find forms and more information about the Tennessee Workers' Compensation Insurance Plan.

Unemployment Insurance

Unemployment insurance provides benefits to unemployed workers who have lost their jobs through no fault of their own. Most employers who have workers in Tennessee are liable to pay state unemployment insurance (SUI) premiums. The



Online or Web-based Businesses

The State of Tennessee recognizes online or web-based businesses as Tennessee businesses. Tennessee web-based businesses are liable for the same taxes and regulations as businesses with a storefront. Tennessee web-based businesses that sell products or taxable services are required to collect sales tax from their Tennessee consumers. If they sell to consumers outside of Tennessee, they are not required to collect sales tax because those consumers are required to pay a use tax to their domestic departments of revenue.

More information on this topic can be found online at www.tn.gov/revenue.

Tennessee Department of Labor and Workforce Development Employment Security Division administers the unemployment insurance program in Tennessee. You can register your business with the Department of Labor and Workforce Development online through the [one stop business resource](https://apps.tn.gov/osbr) found at: <https://apps.tn.gov/osbr> or call the Department of Labor and Workforce Development at 1-800-392-6644 and select 1 (call (615) 533-3333 if out of state).

General Liability Insurance

Many business owners buy general liability or umbrella liability insurance to cover legal hassles due to claims of negligence. These help protect against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, and settlement bonds or judgments required during an appeal procedure.

Insurance & Bonding

Insurance is considered a cost of doing business and nearly all businesses need to carry some form of business insurance. Some forms of insurance, such as worker's compensation and unemployment insurance, may be required by the state of Tennessee. Other forms of insurance, like general liability and health insurance, are optional policies that protect your business's physical and human assets. Following is a description of the various types of insurance which can be obtained from a licensed insurance agent.

Product Liability

Every product is capable of personal injury or property damage. Companies that manufacture, wholesale, distribute, and retail a product may be liable for its safety. Additionally, every service rendered may be capable of personal injury or property damage. Businesses are considered liable for negligence, breach of an express or implied warranty, defective products, and defective warnings or instructions.

Home Based Business Insurance

Contrary to popular belief, homeowners' insurance policies do not generally cover home based business losses. Commonly needed insurance areas for home based businesses include business property, crime, and theft, professional liability, personal and advertising injury, loss of business data, and disability.

Internet Business Insurance

Web based businesses may wish to look into specialized insurance that covers liability for damage done by hackers and viruses. In addition, e insurance often covers specialized online activities including lawsuits resulting from meta tag abuse, banner advertising, or electronic copyright infringement.

Criminal Insurance

No matter how tight security is in your workplace, theft and malicious damage are always possibilities. While the dangers associated with hacking, vandalism, and general theft are obvious, employee embezzlement is more common than most business owners think. Criminal insurance and employee bonds can provide protection against losses in most criminal areas.

Business Interruption Insurance

Some businesses may wish to acquire insurance that covers losses during natural disasters, fires and other catastrophes that may cause the operation to shut down for a significant amount of time.

Key Person Insurance

In addition to a business continuation plan that outlines how the company will maintain operations if a key person dies, falls ill or leaves, some companies may wish to buy key person insurance. This type of coverage is usually life insurance that names the corporation as a beneficiary if an essential person dies or is disabled.

Malpractice Insurance

Some licensed professionals need protection against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, investigations and settlements, and bonds or judgments required during an appeal procedure.

Business Property Insurance

Business property insurance protects your building and equipment investments and natural disasters such as tornadoes, floods and earthquakes. You may also want to

“ENTITIES DOING BUSINESS IN THE STATE OF TENNESSEE THAT CREATE NEW JOBS, EITHER FULL TIME OR PART TIME, THAT ARE FILLED BY INDIVIDUALS WITH DISABILITIES MAY BE ENTITLED TO A ONE-TIME JOB TAX CREDIT.”

get a re insurance policy included in your property insurance policy especially if your building is physically attached to other businesses.

Tennessee Jobs Tax Credit for Employing Persons with Disabilities

Employers may be eligible for a tax credit if they hire employees with disabilities who have received vocational rehabilitation services through the state division of rehabilitation services. Entities doing business in the state of Tennessee that create new jobs, either full time or part time, that are filled by individuals with disabilities may be entitled to a one-time job tax credit.

§ (g) provides for a job tax credit of \$ for each net new full-time employee job and a credit of \$ for each net new

part-time employee job for employment of persons with disabilities who are receiving Tennessee state services directly related to the disabilities. Employment of the person with a disability must create a net increase in the number of persons with disabilities employed by the taxpayer within the day period immediately preceding the employment. The taxpayer must provide the qualifying employment for at least consecutive months for no less than the minimal hours per week as described in the enacting legislation.

To claim the tax credit, the taxpayer must file a plan with the Tennessee Department of Revenue, taxpayer and vehicle services division on or before the last day of the fiscal year in which the employment begins and must state the number of persons with disabilities newly employed. Information about the job tax credit can be found in the taxpayer and vehicle services division's franchise and excise tax guide on the department of revenue's website at www.tn.gov/revenue/taxguides/fguidede.pdf. The observation tax credit business plan form can be found at www.tn.gov/revenue/forms/fae/index.htm or questions about applying for the observation tax credit for hiring persons with Disabilities, call (615) 741-4892.



Bonding

Some small businesses especially those performing contracting services will be asked to bond its work in advance. Bond is a financial guarantee that you will honor a business contract. In some states certain types of contractors are required to be bonded. Bond (sometimes referred to as a surety bond) is a third party obligation promising to pay if a vendor does not fulfill its valid obligations under a contract. There are various types of bonds: license, performance, bid and payment bonds. Performance bond is a guarantee that you will perform work in accordance with the terms of a contract. Bid bond is a guarantee that you will perform work if the bid is won by you. An indemnity bond promises to reimburse loss incurred if you fail to perform or if you fail to pay other vendors in the performance of the contract.

License bond is required by some states for specific businesses. In some cases you pay the state directly rather than obtaining a bond. Payment bond promises you will pay all subcontractors and material providers utilized in the performance of a contract. Contact your insurance agent to obtain a bond and/or ask the state about their surety bond program.

Responsibilities and Regulations

If a company employs people to work in the business it is considered an employer by Tennessee's definition. As an employer the company has certain responsibilities under various state and federal laws as well as certain regulations that it must follow.

Responsibilities

Employer responsibilities fall primarily in the areas of wages, unemployment compensation taxes and labor practices and standards. The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, record keeping and child labor standards affecting your full and part time workers. The FLSA allows

the company to set rules on vacation time, holiday days off, severance pay, premium pay for holidays or weekends, pay raises and sick pay.

The Department of Labor has made available a booklet entitled *New Business Package about the Fair Labor Standards Act*. It also provides the publication and reference guide to the Fair Labor Standards Act for employers. Regulations implementing the act are available as well. Visit www.dol.gov/elaws/sa.htm for more information about the Family and Medical Leave Act (FMLA). FMLA is designed to help employees balance work and family responsibilities by allowing unpaid leave for certain family and medical reasons. The law requires employers of 50 or more employees to give up to 12 weeks of unpaid job protected leave to eligible employees for the birth or adoption of a child or for the serious illness of the employee or a spouse, child or parent.



The company is also required to follow federal occupational safety and health (OSHA) rules. Standards vary with the three broad classifications of businesses: agricultural, construction and general industry. If the organization has 10 or more employees you must maintain records in accordance with OSHA rules. You can find a list of all OSHA rules at www.osha.gov. The state of Tennessee provides employers, especially smaller employers, assistance to help them achieve a safe and healthful workplace for their employees. The Tennessee Occupational Safety and Health Administration (TOSHA) provides consultative services to employers both occupational safety and industrial hygiene services to manufacturing, construction and other types of businesses in Tennessee. This no-cost service is designed to assist employers in developing or enhancing safety and health management systems. The industrial hygienist and occupational safety specialist will identify safety and health hazards and help you implement cost-effective hazard control solutions. Contact TOSHA by phone at (615) 741-2793 or 1-800-249-8510.

Hiring Employees

Understanding your regulatory requirements as an employer is crucial to the success of your business. Before hiring employees, you need to get an employment identification number (EIN) from the Internal Revenue Service (IRS). The IRS requires you to keep all records of employment taxes for at least four years. These records include federal income tax Withholding (Form 941) and federal age and tax statement (Form 940). Form 941 must be signed by the employee on or before the date of employment. The employer must then submit the form to the IRS and maintain a copy for their records. Visit www.irs.gov to obtain an EIN and Form 941. Form 940 reports wages paid and taxes withheld for each employee. This form must be submitted to the Social Security Administration by the last day of February for employees who worked the previous calendar year. Copies of Form 941 should be sent to employees by January 31 following the previous calendar year. Form 940 and Form 941 visit www.socialsecurity.gov.

In addition to Form 941 and federal law, requires employers to verify an employee's eligibility to work in the United States. Within three days of hire, employers must complete an employment eligibility verification Form I-9 and keep the form on file for three years after the date of hire. The Immigration and Customs Enforcement (ICE) agency conducts routine audits to ensure employers are following the law. You can find Form I-9 at www.uscis.gov.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires employers to report newly hired and re-hired employees to a state directory within 10 days of their hire date. You can access Tennessee's new hire reporting system at www.tnnewhire.com.

The Business Plan

A key ingredient in every business is the business plan. The plan allows you to obtain financing and establish a direction for the business. This document is not written once and stashed in a file cabinet. Most experts say the business plan should be reviewed once every three (3) to five (5) years and revise the current economic environment. The timeframe depends on how fast or slow your business grows and is completely up to you. The entrepreneur must view the business plan as a living entity that changes as the company grows and reaches certain milestones. The business plan usually contains an executive summary

introduction, financial projections, personal financials, marketing plan, and the resumes of the management team.

The Business Plan contains:

-

Business plan templates, including financial projections, are available online at:

www.score.org
www.sba.gov

Executive Summary

The executive summary is the first page of the business plan. Write every other part of the business plan first and then summarize the entire document into one page. The executive summary is your first selling point followed by your financial projections when trying to get financing. If you are looking for a loan, include the amount you are asking for, purpose and how the loan will be paid back.

Introduction

In this section, you include the details of your business. Include a description of the company's operations, primary market, background and eventual goals. Explain the company structure, legal structure (sole ownership, partnership, corporation or limited liability) and business location. Include your product and/or service and identify your company or entrepreneur name. This section should be two to three sentences long.

BERO

312 Rosa L. Parks Ave., 11th Floor
Nashville, TN 37243
Ph. (615) 532-1926 or 1-800-872-7201

Developments Districts

East TN Development District
P.O. Box 249
Alcoa, TN 37701
Ph. (865) 273-6003

First TN Development District
207 N. Boone St., Suite 800
Johnson City, TN 37604
Ph. (423) 928-0224

Greater Nashville Regional Council
501 Union St., 6th Floor
Nashville, TN 37219
Ph. (615) 862-8828

Memphis Area Association of Govt.
1420 Union Ave., Suite 410
Memphis, TN 38104
Ph. (901) 729-2871

Northwest TN Development District
124 Weldon Dr.
Martin, TN 38237
Ph. (731) 587-4213

Southeast TN Development District
P.O. Box 4757
Chattanooga, TN 37405
Ph. (423) 266-5781

South Central TN Development District
P.O. Box 1346
Columbia, TN 38402
Ph. (931) 381-2040

Southwest TN Development District
27 Conrad Dr., Suite 150
Jackson, TN 38305
Ph. (731) 668-7112

Upper Cumberland Development District
1225 S. Willow Ave.
Cookeville, TN 38506
Ph. (931) 432-4111

Go-DBE

Go-DBE
312 Rosa L. Parks Ave., 3rd Floor
Nashville, TN 37243
Ph. 1-866-894-5026

Incubators/Access

CEED
158 Madison Ave.
Memphis, TN 38103
Ph. (901) 527-0537

CET Life Sciences Center
111 10th Ave. S., Suite 110
Nashville, TN 37203
Ph. (615) 255-6270

Cleveland-Bradley Business Incubator
3505 Adkisson Dr., Suite 153
Cleveland, TN 37312
Ph. (423) 478-6476

Clinch-Powell Community Kitchen
271 Highway 131
Thornhill, TN 37881
Ph. (423) 733-4007

Company Lab
55 E. Main St.
Chattanooga, TN 37408
Ph. (423) 463-0086

Cumberland Business Incubator
2567 Cook Rd.
Crossville, TN 38571
Ph. (931) 456-9880

Cumberland Univ. Culinary Center
One Cumberland Square
Lebanon, TN 37087
Ph. (615) 547-1376

Emerge Memphis
516 Tennessee St.
Memphis, TN 38103
Ph. (901) 312-7700

Entrepreneur Center
105 Broadway, Suite 200
Nashville, TN 37201
Ph. (615) 873-1257

ETSU Innovation Laboratory
2109 W. Market St.
Johnson City, TN 37604
Ph. (423) 439-8500

Fairview Technology Center
17 Market Square, #201
Knoxville, TN 37902
Ph. (865) 546-5887

Hamilton Co. Business Center
100 Cherokee Blvd.
Chattanooga, TN 37405
Ph. (423) 752-4301

Holston Business Development Center
2005 Venture Park
Kingsport, TN 37660
Ph. (423) 578-6235

Memphis BioWorks
20 S. Dudley, Suite 900
Memphis, TN 38103
Ph. (901) 866-1400

Nashville Business Incubation Center
315 10th Ave. N., Suite 108
Nashville, TN 37203
Ph. (615) 963-7184

UT Technology Incubator
1534 White Ave., Suite 403
Knoxville, TN 37996
Ph. (865) 974-0520

BERO FY2021 Startup Assistance

Startup Assistance D.1
105 Broadway, Suite 200
Nashville, TN 37201
Ph. (615) 873-1257

Tech 20/20
1020 Commerce Park Dr.
Oak Ridge, TN 37830
Ph. (865) 220-2020

Nonprofits

Alliance Nonprofit Excellence
5100 Popular Ave, Suite 502
Memphis, TN 38137
Ph. (901) 684-6605
www.npexcellence.org

Center For Non-Profit Management
44 Vantage Way, Suite 230
Nashville, TN 37228
Ph. (615) 259-0100
http://cnm.org

Pathway Lending

Pathway Lending
201 Venture Circle
Nashville, TN 37228
Ph. (615) 425-7171

SBA

SBA Memphis
555 Beale St.
Memphis, TN 38103
Ph. (901) 526-9300

SBA Nashville
50 Vantage Way, Suite 201
Nashville, TN 37228
Ph. (615) 736-5881

SCORE

Bristol SCORE
20 Volunteer Pkwy.
Bristol, TN 37620
Ph. (423) 989-4866

Chattanooga SCORE
Eastgate Business Center
515 Franklin Bldg.
Chattanooga, TN 37411
Ph. (423) 553-1722

Crossville SCORE
Roane State Community College
2567 Cook Rd.
Crossville, TN 38571
Ph. (931) 456-4910

Greater Knoxville SCORE
412 N. Cedar Bluff Rd.
Suite 450
Knoxville, TN 37923
Ph. (865) 692-0716

Memphis SCORE
Clark Tower
5100 Poplar Ave., Suite 1701
Memphis, TN 38137
Ph. (901) 544-3588

Northeast Tennessee SCORE

AmSouth Bank Bldg.
208 Sunset Dr., Suite 507
Johnson City, TN 37604
Ph. (423) 461-8051

SCORE Nashville

50 Vantage Way Suite 201
Nashville, TN 37228
Ph. (615) 736-7621

TN MAIN STREET

312 Rosa L. Parks Ave., 10th Floor
Nashville, TN 37243
Ph. (615) 532-3595

TSBDC**Austin Peay State University**

601 College St., McReynolds Bldg.
Offices 111 and 113
Clarksville, TN 37040
Ph. (931) 221-1370

Chattanooga State Technical Comm. College

Business Development Center
100 Cherokee Blvd., Suite 202
Chattanooga, TN 37405
Ph. (423) 756-8668

Cleveland State Community College

Technology Bldg., Room 126
3535 Adkisson Dr.
Cleveland, TN 37320
Ph. (423) 614-8707

Dyersburg State Community College

1510 Lake Rd.
Dyersburg, TN 38024
Ph. (731) 286-3201

ETSU Innovation Laboratory

2109 W. Market St.
Johnson City, TN 37614
Ph. (423) 439-8505

ETSU - Satellite - KOSBE Office

Kingsport Area Chamber of Commerce
151 E. Main St.
Kingsport, TN 37660
Ph. (423) 392-8825

JSCC Jackson Chamber of Commerce

197 Auditorium St.
Jackson, TN 38301
Ph. (731) 424-5389

MTSU Rutherford Co. Chamber of Commerce

3050 Medical Center Pkwy.
Murfreesboro, TN 37129
Ph. (615) 898-2745

MTSU - Columbia Satellite Office

Maury Alliance
106 W. 6th St.
Columbia, TN 38402
Ph. (931) 388-2155

Pellissippi State Technical Comm. College

Knoxville Area Chamber Partnership
17 Market Square #201
Knoxville, TN 37902
Ph. (865) 246-2663

PSTCC – Maryville Satellite Office

Blount County Chamber
201 S. Washington St.
Maryville, TN 37804
Ph. (865) 983-2241

PSTCC & RSCC Satellite Office

Oak Ridge Chamber of Commerce
1400 Oak Ridge Turnpike
Oak Ridge, TN 37830
Ph. (865) 483-2668

Southwest TN Community College

Parrish Bldg., Room 134
737 Union Ave.
Memphis, TN 38103
Ph. (901) 333-5085

STCC – Memphis Satellite Office

Memphis Renaissance Center
555 Beale St.
Memphis, TN 38013
Ph. (901) 526-9300

Tennessee State University

Avon Williams Campus
330 10th Ave. N.
Nashville, TN 37203
Ph. (615) 963-7179

Tennessee Tech University

College of Business Administration
1105 N. Peachtree
Cookeville, TN 38505
Ph. (931) 372-3670

UT Martin REED Center

406 S. Lindell St.
Martin, TN 38237
Ph. (731) 587-7333

Volunteer State Community College

Betty Gibson Hall
1480 Nashville Pike
Gallatin, TN 37066
Ph. (615) 230-4780

USDA**Chattanooga Area Office**

Southeast Development Center
309A N. Market St.
P.O. Box 4941
Chattanooga, TN 37405
Ph. (423) 756-2239 ext.2

Cookeville Area Office

Fountain Court, Suite K
390 S. Lowe Ave.
Cookeville, TN 38503
Ph. (931) 528-6539 ext. 2

BERO FY2012 Program Agreement D.1

2043 Hwy 51 S.
Covington, TN 38019
Ph. (901) 475-3350 ext. 203

Greeneville Area Office

214 N. College St., Suite 300
Greeneville, TN 37744
Ph. (423) 638-4771 ext. 4

Jackson Area Office

West Towne Commons
85G Stonebrook Place
Jackson, TN 38305
Ph. (731) 668-2091 ext. 2

Knoxville Area Office

4730 New Harvest Ln., Suite 300
Knoxville, TN 37918
Ph. (865) 523-3338 ext. 4

Lawrenceburg Area Office

237 Waterloo St.
Lawrenceburg, TN 38464
Ph. (931) 762-6913 ext.4

Nashville Area Office

3322 West End Ave., Suite 302
Nashville, TN 37203
Ph. (615) 783-1359

Union City Area Office

1216 Stad Ave., Suite 3
Union City, TN 38281
Ph. (731) 885-6480 ext. 4

UT-C S**UT-CIS**

193 Polk Ave., Suite C
Nashville, TN 37210
Ph. (615) 532-8657

UT-CIS

Institute for Public Service
105 Student Services Bldg.
Knoxville, TN 37996
Ph. (865) 974-2249

UT-CIS

744 McCallie Ave.
Doctors Bldg., Suite 502
Chattanooga, TN 37403
Ph. (423) 634-0850

UT-CIS

605 Airways Blvd., Suite 109
Jackson, TN 38301
Ph. (731) 423-3710

UT-CIS

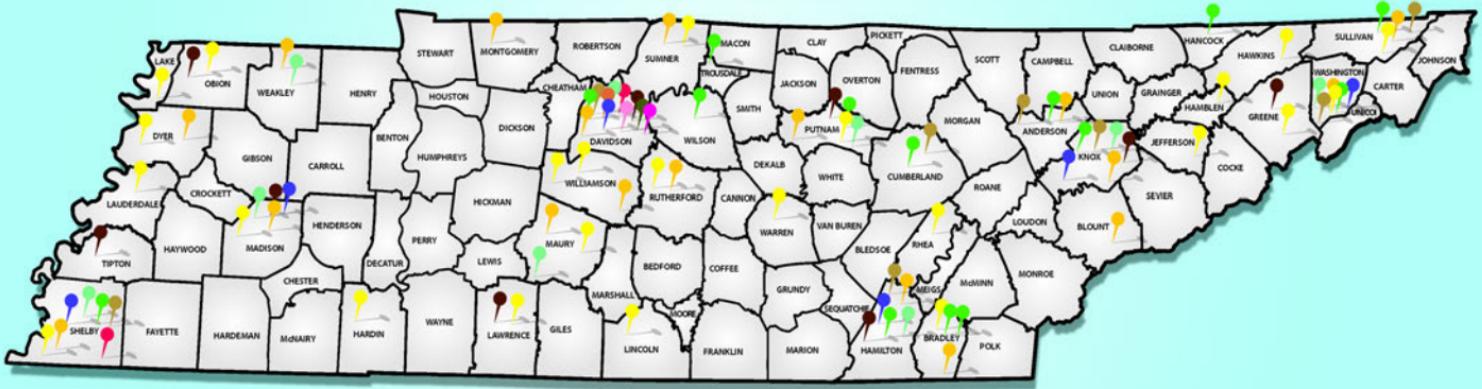
3119 Bristol Hwy, Suite 301
Johnson City, TN 37601
Ph. (423) 926-8282

UT-CIS

2670 Union Ave. Ext., Suite 1123
Memphis, TN 38112
Ph. (901) 323-9339

T E N N E S S E E

Small Business Resource Map



LEGEND

	BERO www.tn.gov/ecd/bero		SBA www.sba.gov		TSBDC www.tsbdc.org		TN MAINSTREET www.tennesseemainstreet.org
	Development Districts www.discoveret.org/etidd/dda.htm		Pathway Lending www.pathwaylending.org		USDA www.rurdev.usda.gov/tn		UT-CIS www.cis.tennessee.edu
	GO-DBE www.tn.gov/diversity		SCORE www.score.org		STARTUP TN-ACCELERATORS http://tennessee.startupamericapartnership.org		
	Incubators www.nbia.org www.tvaed.com						

The Marketing Plan

This is one of the crucial aspects of your business plan. In this section, you will include a market analysis, identify your competitors, your target market and include a marketing plan. You want to provide information on the economic environment of the industry. The economic environment will tell how well the industry is performing versus the economy as a whole. In addition, it should review business cycles and practices that may be unique to the industry. It describes competitors who may affect the success of your business and identifies pricing or technical innovation strategies that give your business a competitive advantage in the market. You want to include anyone that makes or offers a product or service that is comparable to what you offer. You will define the specific customer you plan on targeting. This section contains valuable data about customers, such as what they expect of the product or service. In addition, you will include data on purchasing dollars spent, road and foot traffic around the business location and market share you expect to gain. The marketing plan

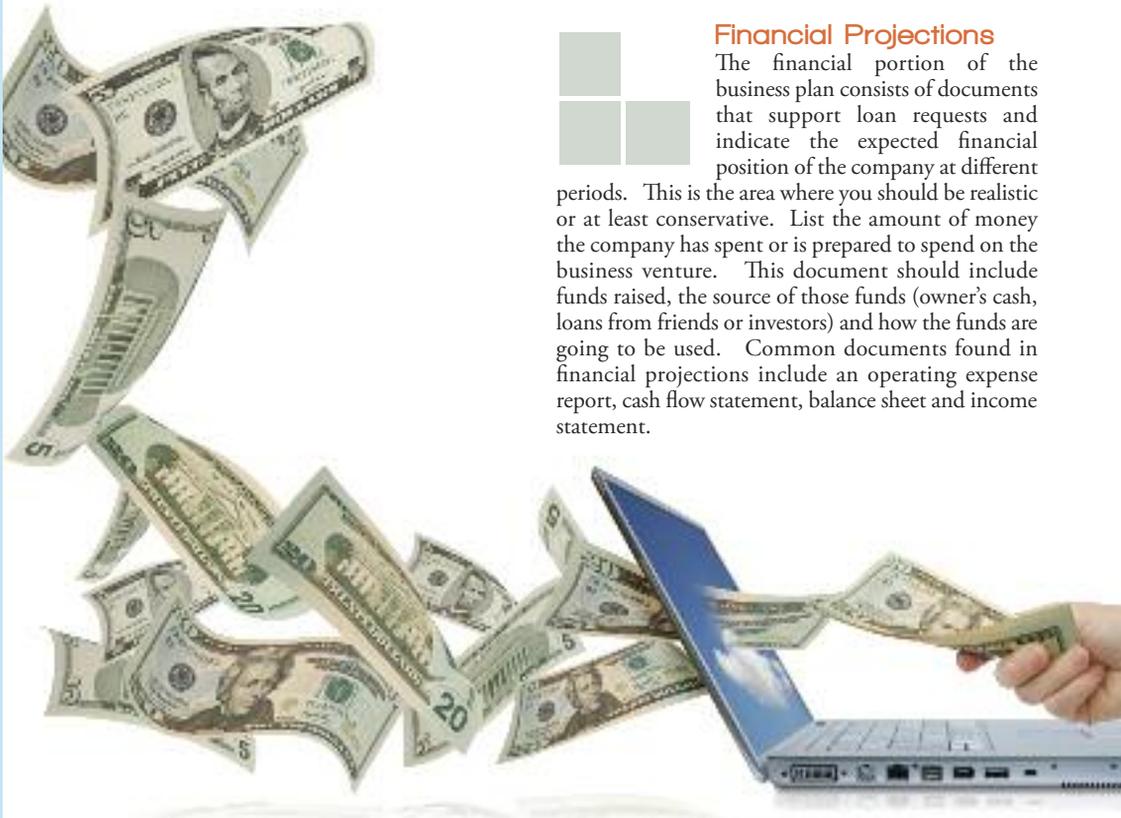
details how you are going to advertise, when you will advertise and where you will place your advertisements. This is important, because it shows how you will inform customers about your product and/or service.

Management Team

This section should include the name, address, telephone numbers and relevant work or industry experience for each team member. The purpose of this section is to acquaint loan officers with the team's industry experience and demonstrate their ability to operate a company. Unlike a job-seeking résumé that concentrates on accomplishments, this résumé should outline learned skills and experiences that facilitate the operation of a company. This section should answer several key questions: Who is going to run the daily operations? Who will balance the books? Who will market and sell your product or service? Who is your attorney? Having the management team's roles and responsibilities on paper benefits everyone because they know their duties. In this section you may include an advisory board that supports your company in area where your team lacks experience.

Financial Projections

The financial portion of the business plan consists of documents that support loan requests and indicate the expected financial position of the company at different periods. This is the area where you should be realistic or at least conservative. List the amount of money the company has spent or is prepared to spend on the business venture. This document should include funds raised, the source of those funds (owner's cash, loans from friends or investors) and how the funds are going to be used. Common documents found in financial projections include an operating expense report, cash flow statement, balance sheet and income statement.





Entrepreneurs say the most common mistake in starting a business is underestimating start-up costs and the time required to generate positive cash flow. Start-up costs are either fixed or variable costs. Examples, sometimes referred to as overhead, are the purchase or lease of equipment, supplies, utility deposits, furniture, fixtures and vehicles, real estate rent or mortgage. They will be the same regardless of the volume of business generated. Variable costs such as payroll, inventory, utility bills, production waste costs, unanticipated production costs and underestimated job quotes are associated with the volume of operations. It is usually a good idea to add 10-20 percent of variable costs as unanticipated expenses. List fixed and variable costs on the operating expense report.

The cash flow statement is one of the fundamental projections in securing outside financing. Cash flow projections demonstrate the inflow and outflow of cash over an interval of time. They project increases and decreases in the cash accounts of your company. As a result, the cash flow statement projects your firm's ability to pay bills, cover payrolls and service bank debt from one period to the next (usually per month). It shows the source of cash and the uses of cash.

The balance sheet describes the condition of the company on a particular day, usually the last day of the month, quarter or year. This makes it different from other financial statements, most of which cover a time period. Another difference between the balance

sheet and other statements is that it must balance the assets and liabilities of the company. An asset is anything the business owns that has monetary value. The assets of a small business commonly include cash, notes receivable, accounts receivable, inventories, land, buildings, machinery, equipment and other investments. A liability is the claims of creditors against the assets of the business. In other words, debts owed by the business. A new business should prepare projected annual balance sheets for three years. An existing firm should include historical balance sheets from the three previous years (or for however long it has been in existence if fewer than three), as well as three years of annual projections. You will also need to calculate a break-even analysis. This analysis determines the volume of sales necessary to reach that minimum point where you can cover both fixed and variable costs. The point of no loss and no profit is the break-even point.

Personal Financials

If you are going to use the business plan to support a loan request, include personal financial statements. Personal financial statements are needed for every owner no matter how small the percentage of ownership. Owners should list any assets owned and debt owed to creditors. Knowing the credit score of all owners is very important when submitting the business plan to lenders.

Getting Funded

Financing is probably the first thing on many entrepreneurs' minds when it comes to starting a small business. One of the biggest challenges in starting your own business is identifying the amount and source of funding necessary to carry out your plan. There are many forms of financing for small business owners, including a variety of state and federal programs. Not every source of financing is right for every small business. You need to find the one that fits your business. Financing options explained in this section will be brief, and it is highly recommended that you contact a small business counselor.

There are several financing sources for your business. A business can utilize personal assets, family, friends and colleagues, commercial credit, credit cards and government financing. If the business is a startup, you will be expected to provide 20-30 percent of your own financing, utilizing your own assets. Most government and commercial lenders generally require this level of owner investment. The Tennessee Small Business Resource Directory (www.tn.gov/ecd/bero) is a great resource for finding county-specific lenders. You should know your credit score before you request outside funding.

You can receive free credit history once per year from the three reporting agencies from www.annualcreditreport.com or call 1-877-322-8228.

Family, Friends and Colleagues

Often a preliminary source of funding is family, friends and colleagues. They often loan funds and take a promissory note or settle for stock options with a formalized agreement to ensure smooth business dealings. A small business can issue stock without the formal registration process if fewer than 15 people purchase the stock and stock is not offered for sale to the public. The investors must hold the stock for their own portfolios. More information on limited stock issue can be obtained from the Tennessee Department of Commerce and Insurance website at www.tn.gov/commerce.

Credit Cards

Credit cards are a common source of financing, especially for small items and equipment your business might need. As credit cards carry a higher rate of interest than conventional loans, their use should be planned and carefully used. Maintaining a good credit history is important as the business grows and evolves.

Commercial Credit

Lenders usually offer two types of commercial loans to small businesses: term loans and seasonal

lines of credit. For most bank loans, lenders ask you to pledge personal assets (including your house) as collateral and furnish signed guaranties from all principals.

Term loans are generally for fixed assets; that is, they are used to purchase real estate and equipment. You collateralize the loan with the assets purchased. As such, lenders generally extend a loan for a percentage of the value rather than full value for the goods. Such loans usually take the form of installment loans with monthly payments.

Seasonal lines of credit are extended to satisfy the working capital needs of a firm. Proceeds are used to purchase inventory, take purchase discounts and make payrolls. While some lenders may take accounts receivable and inventory as collateral, be prepared to use all assets of the company to secure these loans. Borrowers are expected to pay off seasonal lines of credit at least once a year. Small business borrowers generally draw down and pay off seasonal lines of credit several times a year. Other lines of credit include: business line of credit and home equity line of credit. A business line of credit typically has a variable interest rate at or near the prime rate and does not need to be repaid annually. A home equity line of credit (HELOC) authorizes you to spend up to the amount of equity (present value of home minus existing mortgage debt you have in your home). Interest rates are typically variable and do not need to be repaid annually. Be sure to read all documents prior to signing and don't hesitate to consult your attorney.

Federal Government Loan Programs

The Small Business Administration (SBA) is a federal agency that provides small businesses with loan guarantees, counseling and training. SBA works primarily with banks to help reduce their risk in lending to small businesses. If you are interested in an SBA-guaranteed loan, you do not go to the SBA; you meet with an SBA banker at a traditional bank. The SBA's largest loan program is the 7(a) loan guarantee program. Loan guarantees help reduce the risk for banks making loans to new, small businesses. Guarantees range from 50-85 percent depending on the loan amount.

The SBA Micro-Loan assists small businesses that need small amounts of financial assistance. Under this program, SBA makes direct and guaranteed loans to nonprofit lenders who use the proceeds to make micro-loans to eligible borrowers.

Another loan offered by the SBA is the Certified Development Company (CDC) 504 loan. The 504 Program provides expanding businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The 504 loan program allows small businesses to take advantage of the open capital markets, but avoid much of the costs associated with entry into these financial markets. More SBA Loan information is online at the U.S. Small Business



Administrations website at www.sba.gov. You can access a list of SBA certified lenders in Tennessee online by visiting www.sba.gov/tn and click on Financing.

The U.S. Department of Agriculture (USDA) Rural Development Division has Business-Cooperative Programs that provide business and industry loans in rural areas across Tennessee. Generally, the USDA defines a rural area as a non-urbanized area with less than 50,000 in population. The USDA loan programs are administered through its regional offices and focus on assisting businesses that create jobs for rural citizens. Contact your local USDA Rural Development Office for more information or visit them online at www.rurdev.usda.gov/tn.

The Tennessee Valley Authority (TVA) also has loan opportunities for small businesses. The Economic Development Loan Fund (EDLF) is a multi-million-dollar revolving loan program designed to stimulate capital investment and job creation in the TVA region. Minority- and woman-owned companies and

companies within targeted industrial sectors are given special emphasis and consideration. The TVA Southern Appalachian Fund is a \$12.5 million venture capital fund that provides equity capital and operational assistance to qualifying businesses in Kentucky, Tennessee and the Appalachian counties of Georgia, Alabama and Mississippi. The TVA Special Opportunities Counties (SOC) fund is a \$16 million revolving loan fund that is available for buildings, equipment, real estate, industrial parks and building development. More information is accessible online at www.tvaed.com.

State Government Loan Programs

The Tennessee Department of Economic and Community Development (ECD) offers a low-interest small business loan. The Rural Small Business and Entrepreneur Loan Fund provides loans of \$500-\$10,000 to small business with five or fewer employees. Only entrepreneurs and small businesses operating a business in rural Tennessee are eligible. The Business Enterprise Resource Office (BERO) manages the program and also arranges for technical assistance for the life of the loan. Contact BERO by phone at (800) 872-7201 or at ecd.bero@tn.gov. The loan application can be downloaded at www.tn.gov/ecd/bero.

The Tennessee Energy Efficiency Loan Program provides low interest loans to qualified commercial, industrial or nonprofit Tennessee-based businesses. The program allows

100 percent financing for energy efficient technology, energy retrofits and renewable energy systems. It was launched mid-year 2010 and is a collaborative effort among state of Tennessee, TVA, Pinnacle National Bank and Pathway Lending. To learn how energy efficiency is a tool that can save your business money and strengthen your bottom line go to www.pathwaylending.org

The Tennessee Rural Opportunity Fund (ROF) provides much needed access to capital for small businesses in rural Tennessee. The Small Business Jobs Opportunity Fund (SBJOF) builds on the success of the ROF to create a sustainable funding source for urban and rural businesses to expand and create jobs. Both the ROF and the SBJOF, launched in 2008 and 2010 respectively, are joint funds among the state of Tennessee, the Tennessee Bankers Association and Pathway Lending (changed from Southeast Community Capital in 2010). Visit www.pathwaylending.org or call 1-888-533-PATH (7284) to learn more.

The Tennessee Department of Treasury administers the Small- and Minority-Owned Business (SMOB) Assistance Program. SMOB loans have been available for acquisition of machinery and equipment, working capital, supplies and materials, inventory and certain other business related activity. To learn more and/or apply, visit: www.tnsmob.org or call (423) 424-4298 or 1-866-918-7360.

Non Traditional Financing

Pathway Lending, a Community Development Financial Institution (CDFI), as certified by the CDFI Fund, a division of the U.S. Treasury Department,

provides loans to disadvantaged small businesses lacking access to traditional financing options in low-income areas throughout Tennessee and northern Alabama. Pathway Lending is the only statewide CDFI. Pathway Lending manages multiple loan funds targeting urban and rural areas of the state.



Development Districts

Development Districts are regional planning and economic organizations owned and operated by the cities and counties of Tennessee.

Each district operates a business and industry loan program and can provide small business loans, typically focusing on businesses that create jobs within its district. The nine development districts include: Northwest Tennessee, Greater Nashville Region, Upper Cumberland, First Tennessee, East Tennessee, Southeast Tennessee, South Central Tennessee, Southwest Tennessee and Memphis Area Development District.

Electric Cooperatives

Most of the electric cooperatives in the state manage a revolving loan fund for businesses within their service area. Contact your local electric cooperative for additional information. You can find your local electric cooperative online at www.tnelectric.org.

Small Business Investment Companies (SBIC)

SBIC's are private investment and loan companies established to serve the small business market. They are funded with a combination of private and federal investment. Visit www.sba.gov/tn to find more information about local SBICs.

Loan	Maximum Loan Amount	Website
SBA - CDC/504	\$ 5,000,000	
SBA - Basic 7(a) Loan	\$ 5,000,000	
SBA - International Trade	\$ 5,000,000	www.sba.gov
SBA - Express Loan	\$ 350,000	
SBA Micro-Loan	\$ 50,000	
USDA - RED Loan and Grant	\$ 450,000	www.rurdev.usda.gov
TVA - EDLF	\$ 2,000,000	
TVA - Southern Appalachian Fund	\$ 600,000	www.tvaed.com
TVA - SOC Fund	\$ 500,000	
Tennessee Rural Opportunity Fund	\$ 125,000	
Small Business Jobs Opportunity	\$ 2,500,000	www.pathwaylending.org
TN Small Business Energy Loan	\$ 5,000,000	
BERO Loan Fund	\$ 10,000	www.tn.gov/ecd/bero



Equity Financing

Equity capital is money raised by a business in exchange for a share of ownership in the company. Ownership is represented by owning shares of stock outright or having the right to convert other financial instruments into stock of that private company. A key source of equity capital for new and emerging businesses is venture capital firms.

INCITE (Innovation, Commercialization, Investment, Technology, Entrepreneurship)

INCITE, a \$50 million initiative introduced on May 5, 2011 by Governor Bill Haslam, was designed to support innovation across the state. The program will raise Tennessee's profile in innovation-based economic development and drive growth in the creation of knowledge-based jobs. The INCITE initiative includes two distinct entrepreneurial components: Startup Tennessee and nine Regional Entrepreneurial Accelerators. For more information, visit <http://www.tn.gov/eCd/Innovation>.

Co Investment Fund (part of INCITE)

The co-investment fund focuses on assisting Tennessee companies with access to early stage capital, using \$30 million in state and federal funding to create early stage, seed and mezzanine capital co-investment funds, and provides capital for low interest loan funding which can help a company build the critical mass necessary to succeed. This program is expected to

launch in early 2012. For details, go to www.tn.gov/eCd or email ECD.Innovation@tn.gov.



TNInvestco

TNInvestco was created by the Tennessee Small Business Investment Company Credit Act. The act offers \$120 million in gross premiums tax credits to insurance companies that invest in companies certified by the state of Tennessee as "TNInvestcos." The TNInvestcos are authorized to invest funds in qualifying Tennessee small and start-up businesses. Qualified investments by TNInvestcos can take the form of debt, equity or a hybrid of the two. For a small business to qualify to receive investment funds from a TNInvestco, the business must be independently owned and operated, employ no more than 100 employees, headquartered in Tennessee and at least 60 percent of its employees must be located in Tennessee. To apply for funding from a TNInvestco, visit www.tn.gov/tninvestco.

Venture capital is a type of private equity capital typically provided by professional, outside investors to new, high-potential-growth companies in the interest of taking the company to an IPO or trade sale of the business. Venture capital investments are generally made as cash in exchange for shares in the invested company. In Tennessee, venture capital funds can be found in Nashville, Knoxville, Oak Ridge and Memphis.

Government Grants

The truth is that federal and state governments do not provide grants directly to individuals to start or expand typical small businesses.

Most grants offered by the government are designed to expand and enhance organizations that provide small business management, technical or financial assistance. These grants generally support non-profit organizations, intermediary lending institutions, and state and local governments; however, the U.S. government does offer a wide-variety of loans and training programs to help entrepreneurs start and grow their businesses.

Some federal and state agencies award a limited number of grants for very specialized business activities such as scientific research and development. These R&D, or research and development, grant programs include the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. The STTR and SBIR are competitive, nationwide grant programs designed to stimulate innovation and development in high technology industries. In Tennessee, businesses can get assistance with applying for SBIR and STTR opportunities through the University of Tennessee, Center for Industrial Services. Visit them online at www.cis.tennessee.edu or call 1-888-763-7439.

Persons receiving disability benefits from the Department of Human Services, Vocational Rehabilitation Services, may apply for a self-employment grant to start a small business. In addition, farmers can compete for cost-reimbursement grants from the Department of Agriculture for specific activities. More information is provided in the "Targeted Businesses and Topics" section of the guide.

Business Assistance and Training

You can find assistance for your small business during each stage of the business cycle. Resources include: start-up assistance, licensing requirements, business relocation, identifying capital, government procurement, exporting, agriculture and business expansion, among others.

Business Enterprise Resource Office (BERO)

Housed in the Tennessee Department of Economic and Community Development, the Business Enterprise Resource Office (BERO) serves to expand economic opportunities to Tennessee's diverse businesses. Created in 1977, BERO expands economic opportunities for small, rural, minority- and women-owned businesses by providing information on entrepreneurship development programs, procurement opportunities and access to capital with Tennessee private industry and government entities.

BERO also hosts Tennessee Business Matchmaking conferences that provide one-on-one business appointments between small business owners and procurement agents from large corporations and the government. Since its inception, over 3,450 one-on-one business appointments have been held between 960 small businesses and 310 procurement officials.

BERO provides a variety of small business information, including the Tennessee Small Business Resource Directory and this guide.



The Tennessee Small Business Resource Directory is a free, valuable tool for Tennessee entrepreneurs, small businesses, chambers of commerce and other small business support organizations. The directory provides resources for starting, financing and managing a business, as well as business opportunities, exporting and micro-enterprise for each county in Tennessee. Visit www.tn.gov/ecd/bero.

Tennessee Small Business Development Centers (TSBDC)

The Tennessee Small Business Development Centers (TSBDC) offers assistance to help business owners grow and develop successful, thriving businesses at little or no cost. The TSBDC is a network of professional business consultants with 12 centers and two satellite offices in 14 cities throughout the state of Tennessee. The TSBDC prides itself on providing expert business advice to all types of businesses whether you are a manufacturer, retailer, service provider or a professional.

SCORE

SCORE "Counselors to America's Small Business" is a non-profit association dedicated to educating entrepreneurs and the formation, growth and success of small business nationwide. SCORE is a resource partner with the U.S. Small Business Administration (SBA). SCORE employs volunteers that are working or retired business owners, executives and corporate leaders who share their wisdom and lessons learned in business. At the time of the publication, active Tennessee SCORE chapters can be found in Bristol, Chattanooga, Crossville, Johnson City, Nashville and Memphis.

Small Business Online Training Network

The Small Business Training Network (SBTN) is the SBA's online interactive training tool. This tool offers a wide variety of free online courses, a library, web chats and access to SBA business counselors. See [map/appendix](#) for contact information.

Tennessee Manufacturing Extension Program

The Tennessee Manufacturing Extension Program (TMEP) helps Tennessee's manufacturers become more productive, more profitable and more competitive. TMEP assist businesses with new production techniques, business practices, expanding markets, complying with regulations and a host of other areas. TMEP is a branch of the University of Tennessee Center for Industrial Services (UT-CIS).

Business Incubators

Business incubators offer programs to accelerate the successful development of entrepreneurial companies through an array of business support resources and services. You can visit the National Business Incubation Association online at www.nbia.org/resource_center to find a local incubation center.

Targeted Businesses and Topics

This section contains information on a variety of topics an entrepreneur or small business owner may find helpful. The topics include home and internet-based businesses, inventors, patent, copyright, and trademark, government contracting, disabled business owners, regulatory assistance and export assistance.

Home and Internet Based Business

If you are considering a home-based business, you should contact your local zoning and building codes office or commission to find out if you need special permits. In addition to a local zoning permit, you may need to obtain a business license from your county clerk office to run your home-based or internet-based business. This requirement depends on how much income you earn and varies by county in Tennessee. In addition, you may need to look at business insurance, because homeowners' insurance policies do not generally cover home-based business losses. Common insurance areas for home-based businesses include business property, professional

Continued Education Contacts

Website

TVA	TVA Business Incubation Centers	www.tvaed.com
TSBDC	Tennessee Small Business Development Center	www.tsbdc.org
SCORE	Service Corps of Retired Executives	www.score.org
SBTN	Small Business Training Network	www.sba.gov/services/training/
NBIA	National Business Incubation Association	www.nbia.org

liability, personal and advertising injury, loss of business data and crime insurance.

Internet and catalog businesses are required to collect sales tax from customers living in Tennessee. Tennessee does not require businesses to collect sales tax from non-citizens of Tennessee. Other states may require you to pay tax for sales in their state. Visit www.tn.gov/revenue to find more information about Tennessee taxes.

Original writings, artwork, photographs and other forms of authorship protected may be protected by copyright. Visit the U.S. Copyright Office online to find the procedures for copyright registration for online works (Circular 66) at www.copyright.gov.

The Internet Corporation for Assigned Names and Numbers (ICANN) has accredited over 860 registrars that offer domain name (website address) registration. The ICANN registrars allow business owners to purchase a domain name, or purchase a domain name and package of services such as web hosting services. Visit www.icann.org for a list of accredited registrars. Internet-based businesses should look into insurance that covers liability for damage done by hackers and viruses, lawsuits, banner advertising or electronic copyright infringement.

BERO FY2012 AR: ATTACHMENT D.1

Inventors

The first step for applying for a patent is to conduct a patent search online at the United States Patent and Trademark Office (USPTO) to see if any current patents that match your idea. Once you have searched for existing patents, you can then start the process of applying for a patent with the USPTO. The type of patent you apply for depends on your product. The most common patent filed is the non-provisional utility patent, according to the USPTO.

An important note is that the "poor man's patent" will not protect your invention. This idea that by writing a description of your invention and mailing it to yourself or someone else by mail or certified mail will protect your invention is not true and may hurt your later patent rights.

You can build the prototype before or after receiving your patent from the USPTO. The prototype is a working model of the product that you intend to bring to market. It is often used to obtain financing for the mass production of the product. You will also need a business plan to obtain financing from banks and other lenders. You want to highlight how the product will be manufactured and your marketing plan for the product.





The Inventors Assistance Center (IAC) within the USPTO provides patent information and services to the public. The IAC can answer general patent examination questions, direct calls to appropriate USPTO personnel, assist you with forms and provide general information concerning rules, procedures and fees. The IAC is online at www.uspto.gov or call 1-800-786-9199.

The Tennessee Inventors Association (TIA) is an organization of inventors. The TIA has members all across Tennessee and as far away as Ohio and Virginia. The TIA is a great resource for inventors, innovators and entrepreneurs. The TIA provides seminars, information and guidance to those involved in innovation. The TIA has produced an inventor's guide that provides step-by-step instruction on how to take your idea to a functioning product. The guide includes information about establishing a date of originality, patent protection, licensing, prototypes and the inventor's log. This guide is free to all members of the TIA. You can join the TIA by visiting their website at www.tninventors.org.

Patents, Copyrights and Trademarks

A patent for an invention is the grant of a property right to the inventor issued by the United States Patent and Trademark Office.

According to the United States Patent and Trademark Office, there are three types of non-provisional patents: utility, design and plant patents. A utility patent is granted to anyone who invents or discovers a new and useful process, machine, article of manufacture, or composition of matter, or an improvement of the before mentioned. Design patents may be granted to anyone who invents an original and decorative design for an article of manufacture. Plant patents are granted to anyone who invents or discovers and asexually reproduces any

distinct and new variety of plant. There are two types of utility and plant patents, which are the provisional and non-provisional patent. The provisional patent was designed to provide a lower-cost first patent filing in the United States. The provisional patent is granted for a term of 12 months with no official patent claim, oath or declaration, or any information disclosure statement. The non-provisional patent is a complex legal document, best prepared by a patent lawyer or a trained professional.

As stated by the Library of Congress' Copyright Office (www.copyright.gov), "A Copyright is a form of protection provided to the authors of 'original works of authorship' including literary, dramatic, musical, artistic and certain other intellectual works, both published and unpublished." A copyright is the protection of the creative expression of an idea not the idea. You can copyright the actual steps or methods of creating an object but not a list of items used to create the object.

You may wish to protect your company name and/or service mark in the state of Tennessee by obtaining a state trademark. As a business owner, you can obtain a state trademark, which will protect your business name and/or service mark within Tennessee for five years. You may also wish to protect your company name and/or symbol in the U.S. by obtaining a federal trademark. As a business owner, you can obtain a federal trademark, which will protect your business name and/or symbol within the United States for 10 years.

You may want a combination of copyright, patent and trademark protection for your work. More detailed information on patents, copyrights and trademarks can be found online at www.uspto.gov. You should consult an attorney to determine which form(s) of intellectual property protection best corresponds to your individual situation.



Federal Government Contracting

The Center for Industrial Services (CIS) is an agency of the University of Tennessee (UT) Institute of Public Service. UT-CIS helps Tennessee's manufacturers become more productive by new production techniques or business practices. UT-CIS also provides the service of the Procurement Technical Assistance Center (PTAC). PTAC is a local resource available at no or nominal cost that can provide assistance to business firms in marketing products and services to the federal government and its prime contractors. PTAC is an arm of the U.S. Department of Defense National Procurement Technical Assistance Program (PTAP). UT-CIS is online at www.cis.tennessee.edu.



State Government Contracting

The Governor's Office of Diversity Business Enterprise (Go-DBE) focuses on ensuring that minority, women, service-disabled veterans and small businesses are afforded a fair and equal opportunity to participate in state procurement activities and contract awards. Minority, women, service-disabled and small businesses interested in doing business with the state are required to register with the office. Businesses will be interviewed and assessed for a determination of procurement interests and qualifications such as licensing, bonding and certification. To register, certify and review the list of certified diversity companies, visit Go-DBE at www.tn.gov/diversity.

The Tennessee Department of Transportation provides assistance to disadvantaged business enterprises through their Civil Rights Office Small Business Development Program. The program assists with program management and development, government compliance, community development, workforce development and human resource management. To learn more go to www.tdot.state.tn.us/civil-rights/smallbusiness.

Local Government Contracting

If you are new to government contracting, a first step is to do business with your local government. Generally, local government processes are easier to understand. It can take less time to get accustomed to how it operates, making you more likely to win bids. Many of the larger municipalities have formal vendor programs with staff that provide assistance to small, minority- and women-owned businesses, including Nashville, Memphis, Knoxville and Chattanooga. For more information, visit your municipality's web site or contact its finance or procurement office (www.tennesseeanytime.org/local).

Business Ownership Certifications

Often times, larger entities such as corporations or government agencies will request that small, veteran, minority- or women-owned businesses become certified. Certifications provide third-party verification to help entities make decisions about a potential vendor. Information includes: owner(s) involvement and control of the daily operations of their business; business operational capabilities; ethnic

and gender information about the owner(s). Because the information collected during the certification process can be specific to a particular corporation or industry, there is not one universal certification used by all organizations. In Tennessee, certification programs are offered by the Governor's Office of Diversity Business Enterprise, Tennessee Department of Transportation, U.S. Small Business Administration, Tennessee Minority Supplier Development Council, Women's Business Enterprise National Council and National Women Business Owners Corporation. The first step in deciding if you need a certification is to evaluate whether the companies you do business with (or want to do business with) require vendors to have a particular certification. If you are pursuing federal government work, you should consider an SBA certification; state government work, then Go-DBE; TDOT and airport work, then TDOT; private corporations only, then minority supplier development council or one of the national women's certification groups.

Regulatory Assistance

Housed in the federal Small Business Administration, the National Ombudsman assists small businesses when they experience excessive or unfair federal regulatory enforcement actions. The National Ombudsman acts as a liaison between small business owners and federal agencies. The National Ombudsman receives comments from small business concerns and acts as a liaison between them and federal agencies. Comments received from small businesses, are forwarded to federal agencies for a high level review and federal agencies are requested to consider the fairness of their enforcement action. A copy of the agency's response is sent to the small business owner by the Office of the National Ombudsman. In some cases, fines have been lowered or eliminated and decisions changed in favor of the small business owner. The ombudsman can be contacted by email at ombudsman@sba.gov or phone at (888) 734-3247. The website is www.sba.gov.

The Office of Small Business Advocate, housed within Tennessee's Comptroller of the Treasury, serves as a point of contact to state government for owners of businesses with 50 or fewer employees. The office assists in the resolution of issues concerning small businesses and state departments and agencies. For more information call 1-866-831-3750 or visit www.comptroller1.state.tn.us/OSBA.

The Tennessee Department of Environment and Conservation, (TDEC) Office of Environmental Assistance (OEA) program, provides information and non-regulatory support to businesses. The OEA has a Small Business Environmental Assistance Program (SBEAP) that provides technical, administrative, and regulatory support for small businesses. The SBEAP works as a liaison between the regulatory agencies and small business. Reach the SBEAP by phone at 1-800-734-3619 or by e-mail at bgsbeap@tn.gov.

Business Owners with Disabilities

The Tennessee Department of Human Services Vocational Rehabilitation (VR) is a federal and state-funded program providing services to help individuals with disabilities enter or return to employment. Individuals who qualify for their services can participate in their Self-Employment Program. Individuals approved for the program must create and present a business plan to a panel of advisors. Approved individuals can receive a \$5,000 grant for the business; 50/50 match funds may be available up to \$10,000. However, SSI and SSDI recipients are exempt from the match requirement. To learn more about the Self-Employment program, contact your regional VR Office or call (615) 313-4898. The website for Vocational Rehabilitation is www.tn.gov/dhs/rehab.



Agri Tourism and Pick Tennessee Products

The Tennessee Department of Agriculture provides assistance to farmers, agribusinesses, commodity

organizations and consumers. Services are delivered through the Pick Tennessee Products marketing campaign and include: direct sales contacts; media activities and promotions; regular press releases and seasonal features; compilation of directories of producers; support of commodity group activities; agri-industry recruitment; expansion of existing businesses; one-on-one counseling; partnership with other agencies. Visit www.picktnproducts.org for more information.

The Center for Profitable Agriculture (CPA) is a partnership between the Tennessee Farm Bureau Federation and the University of Tennessee Institute of Agriculture. CPA works to increase the value of Tennessee's economy through new, expanded and improved processing and marketing of agricultural, aquacultural and forestry products. Find more information about CPA at cpa.utk.edu.

Technology Based Business

Tennessee's technology-based economic development program is developed and implemented by the Tennessee Technology Development Corporation (TTDC) in partnership with the Tennessee Department of Economic and Community Development (ECD). TTDC is assigned the responsibility to accelerate efforts to transition Tennessee's economy to a knowledge-based economy. TTDC information is online at www.tntechnology.org.

Oak Ridge National Laboratory (ORNL) is a multi-program science and technology laboratory managed for the U.S. Department of Energy by UT-Battelle, LLC. ORNL offers a variety of services to small businesses focused on science and technology. The Small Business University offers online training or training slides of various subjects to help develop critical areas of small businesses. The ORNL Mentor-Protégé Program is designed to assist energy-related firms in an effort to enhance their capability to perform contracts and subcontracts for Oak Ridge National Laboratory.

ORNL purchases supercomputers, office supplies, office buildings and other items through their extensive program to award subcontracts to American small businesses.

The Tennessee Biotechnology Association (TBA) is a statewide organization of scientists, researchers, academicians, legislators and business professionals working to develop and support life sciences in Tennessee. The organization also works to enhance access to capital for existing biotechnology companies, as well as support business recruitment to Tennessee. Visit TBA online at www.tnbio.org.



Veteran Owned Businesses

The Tennessee Small Business Development Center (TSBDC) has published Tennessee Veterans Business and Resource Planning Guide, a comprehensive start-up guild for veterans. You can find the guide online at www.tsbdc.org.

The University of Tennessee Center for Industrial Services Procurement Technical Assistance Center (UT PTAC) hosts annual Veterans' business conferences. The conferences features interactive workshops, networking opportunities and sessions that focus on doing business with the governments. Visit www.cis.tennessee.edu/training for more information.

Veterans, service-disabled veterans and their dependents or survivors can receive business assistance with the SBA Tennessee District Office of the Office of Veterans Business Development located in Nashville, Tenn., by calling (615) 736-7176. The SBA has a special business loan program, Patriot Express, for Veterans and members of the military community. Patriot Express loans are available up to \$500,000. Visit www.sba.gov/patriotexpress to learn more about the program.

The U.S. Department of Veterans Affairs Center for Veterans Enterprise (CVE) maintains the only federally controlled database registry for veteran-owned small business VetBiz Vendor Information Pages (VIP). It can be accessed online at www.vetbiz.gov. The Department of Defense (DoD) has undertaken an aggressive outreach effort to identify veterans and service-disabled veterans small business prime and subcontracting opportunities. Visit www.acq.osd.mil/osbp to learn more.



Exporting

A number of companies and agencies are available to help expand small business into the worldwide marketplace.

The U.S. and Foreign Commercial Service, established in 1980 by Congressional mandate, assist and increase American exporter's visibility in overseas markets. The mission of the International Trade Administration (ITA) is to increase the number of small- and medium-size firms that engage in international trade. Domestic international trade specialists work closely with the commercial officers based at U.S. embassies abroad to provide counseling and other promotion services to American companies with export potential.

The International Trade Centers (ITC) provides export assistance to exporting firms that are new to the exporting business. The ITC can offer one-on-one counseling at any SBDC office across the state. In addition to counseling, ITC sponsors continuing-education seminars and workshops across the state.

The Tennessee Department of Agriculture has a division of marketing that provides services specifically to Tennessee farmers and agri-businesses that wish to export. It offers services in hosting foreign buyer visits, participating in trade shows and sales missions, identifying foreign import requirements and assistance in obtaining appropriate documentation, conducting seminars highlighting agricultural exports, and disseminating trade leads and other trade information.



About the Guide

The Tennessee Startup Guide is published by the Tennessee Department of Economic and Community Development (ECD) Business Enterprise Resource Office (BERO) with the assistance of the Creative Services division. The guide is published online and available for download on the ECD website located at www.tn.gov/ecd/bero.



If you would like to see your agency or organization's advertisement placed in our next Startup Guide contact the Business Enterprise Resource Office at

1-800-872-7201



About BERO

The Business Enterprise Resource Office (BERO) works to expand economic opportunities for small, rural, minority and women-owned businesses in Tennessee. BERO is an office within the Department of Economic and Community Development. For complete details, visit www.tn.gov/ecd/bero or email ECD.BERO@tn.gov.



About ECD

The Tennessee Department of Economic and Community Development's mission is to develop strategies which help make Tennessee the No. 1 location in the Southeast for high quality jobs. The department seeks to attract new corporate investment in Tennessee and works with Tennessee companies to facilitate expansion and economic growth. To find out more, go to www.tn.gov/ecd.



Compliance Division

- Industrial Loan and Thrift Companies
- Mortgage Lenders
- Servicers and Brokers
- Money Transmitters
- Check Cashers
- Deferred Presentment Service Providers
- Title Pledge Lenders
- Insurance Premium Finance Companies

Contact the Tennessee Department of Financial Institutions by phone at (615) 741-2236 or visit the website at www.tn.gov/tdfi.

Mental Health and Developmental Disabilities

- Mental Health Outpatient Facilities
- Mental Health Adult Day Treatment Services
- Mental Health Hospital Facilities
- Mental Health Adult Residential Treatment Services
- Mental Health Crisis Stabilization Unit Facilities
- Mental Health Supportive Living Facilities
- Mental Retardation Adult Habilitation Day Facilities
- Mental Retardation Pre-School Facilities
- Mental Retardation Diagnosis and Evaluation Facilities
- Mental Retardation Institutional Habilitation Facilities
- Mental Retardation Residential Habilitation Facilities
- Mental Retardation Boarding Home Facilities
- Mental Retardation Placement Services Facilities
- Mental Retardation Respite Care Services Facilities
- Mental Retardation Semi-Independent Living Facilities
- Mental Health Psychosocial Rehabilitation Program Facilities
- Mental Health Intensive Day Treatment Program Children and Adolescents Facilities
- Mental Health Therapeutic Nursery Program Facilities
- Mental Retardation Supported Living Services Facilities
- Mental Health Partial Hospitalization Programs
- Mental Health Vocational Programs
- Mental Health Residential Treatment Facility for Children and Youth
- Personal Support Services Agencies
- Alcohol and Drug Abuse DUI School Services
- Alcohol and Drug Abuse Prevention Program Facilities
- Alcohol and Drug Halfway House Treatment Facilities
- Alcohol and Drug Abuse Non-Residential Oplate Treatment Facilities
- Alcohol and Drug Non-Residential Rehabilitation Treatment Facilities
- Alcohol and Drug Abuse Residential Detoxification Treatment Facilities
- Alcohol and Drug Abuse Residential Rehabilitation Treatment Facilities
- Alcohol and Drug Residential Treatment Facilities for Children and Youth

Contact the Tennessee Department of Mental Health and Developmental Disabilities by phone at (866) 797-9470 or visit the website at www.tn.gov/mental/.

Health Related Boards

- Athletic Trainers
- Acupuncture
- Alcohol and Drug Abuse Counselors
- Chiropractic Examiners
- Clinical Perfusionist
- Communications Disorders and Sciences
- Dentistry
- Dietitians and Nutritionist
- Dispensing Opticians
- Electrolysis Examiners
- Emergency Medical Services
- Hearing Instrument Specialist
- Massage
- Medical Examiners
- Medical Laboratory
- Nursing
- Nursing Home Administrators
- Occupational Therapy
- Optometry
- Osteopathic Examination
- Pharmacy
- Physcial Therapy
- Physicians Assistants
- Podiatric Medical Examiners
- Professional Counselors and Marital and Family Therapist
- Professional Midwifery
- Psychology
- Repiratory Care
- Reflexology
- Social Work
- Veterinary Medical Examiners
- X-Ray Operators

Contact the Tennessee Department of Health by phone at (615) 532-3202 or (800) 778-4123 or visit the website at www.tn.gov/health.

Types of Regulated Care

Child Care Centers

- 13 or more kids

Family Child Care Homes

- 5 to 7 Kids

Group Child Care Homes

- 8 to 12 kids

Drop-In Centers

- 15 or more kids not to exceed 14 hours per week or more than 7 hours per day

All individuals working in licensed child care in Tennessee must submit to a criminal history background check through the Tennessee Bureau of Investigation (TBI).

Contact Child Care Licensing by phone at (615) 313-4778 or visit the website at www.tn.gov/humanserv.



TENNESSEE SMALL BUSINESS GUIDE

Prepared by the Department of Economic and Community Development
312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102 877.768.6374



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YOUR
BUSINESS
STARTS

HERE



Do you have a business idea you'd like to test run?

pages 20 - 21

Are you looking for working capital, money for equipment, or to grow your bottom line with energy savings? *page 26*

Are you thinking of selling your product or service in another country? *page 35*



***Get your guide
and get started now!***

BERO ANNUAL REPORT FY2012

ATTACHMENT E

**Business Enterprise Resource Office (BERO)
Fall 2012**

Director's Message:

Greetings everyone!

What is BERO up to these days? After ECD's top-to-bottom review we determined that several of BERO's initiatives overlapped with other agencies and organizations. Over the last months an updated focus for BERO has taken shape to align BERO's activities with its legislative directive. BERO will serve as the voice for and advocate of disadvantaged businesses (DBEs) in Tennessee and we welcome your input.

What is a DBE? Fair question! For the purposes of BERO, DBE refers to businesses owned by women, minorities and veterans. It also refers to businesses operating in remote or rural areas of the state.

We've included you in our inaugural edition of the BERO newsletter as you work directly with DBEs. These quarterly newsletters will serve as a platform to bring attention to what is happening across the state and country for DBEs; highlight what's working well for you and your clients; and seek your feedback to bring attention to any challenges. Look towards the bottom, *Call for Entries*, for details on how to participate.

We appreciate your service to our DBEs and look forward to working together.

Sincerely,
Wisty

Wisty Pender
Director, BERO

❖ **DBE/Veteran Best Practices and Highlights**

- *Minority and Women-Owned Private Equity Firms Out-Perform Overall Private Equity Industry* based on a recently released report by the National Association of Investment Companies (NAIC). The report recommends best practices of investing greater capital in this segment. Read the complete [report](#). David Perez, Chair, NAIC Board of Directors [said](#), "While the minority population in the United States is nearing 50% of the total U.S. population, minorities manage only 0.24% percent of assets while delivering significant performance."
- *The Immigrant Exodus: Why America Is Losing the Global Race to Capture Entrepreneurial Talent*
The new book, based on a new "Kauffman Foundation study finds that high-tech, immigrant-founded startups — a critical source of fuel for the U.S. economy — has stagnated and is on the verge of decline." [Read more.](#)
- *Tennessee Honor Vote Tennessee*
Secretary of State, Tre Hargett recently announced the *Honor Vote* program, which provides Tennessee citizens an opportunity to dedicate their vote to those who are serving or have served in the U.S. military. Their important contributions ensure our freedom and democracy, allowing us to cast a ballot each election day. Submit your Honor Vote to the Office of the Tennessee Secretary of State. The list of names will be published on the [website](#).

❖ Access to Capital

➤ Collectively Advancing Microbusiness in Tennessee Forum

The Federal Reserve Banks of Atlanta and St. Louis, along with the OCC hosted this forum in Nashville on October 2, 2012. The forum explored what is needed to successfully support microbusiness efforts now and in the coming years, and the agenda included panel sessions on microbusiness training and technical assistance as well as funding models. Mr. Anil Rupasingha, Ph.D., economist for the Federal Reserve Bank of Atlanta presented initial findings and research on *Identifying Community Level Factors Affecting Microbusinesses*. We are looking forward to the release of the full report shortly! The Federal Reserve Bank of Atlanta's publications can be found [here](#).

➤ Rural Small Business and Entrepreneurship Loan Program

Several changes have taken place to make the [BERO loan](#) more accessible to Tennessee's rural businesses. The loan is available to rural startup and existing rural businesses for working capital and fixed assets. The main changes are that the loan limit was increased up to \$20,000 and the employee numbers to fewer than 10, including the owners.

- Diane Ravens, owner/operator of Appalachian Bee, is a woman-owned business in east Tennessee who received an ECD-BERO loan just over one year ago to rebrand products and expand the skincare line. She has made great progress, and recently reported the following:

"Since receiving our loan through the state of Tennessee, we have been able to focus on a re-branding campaign and an e-commerce website. We rolled out a new product line, and since the relaunch, our products have attracted a great deal of attention for their visual appeal. Since we rolled out our new branding, our sales have increased 40% compared to last year. The professionally designed marketing materials have been a factor in increased sales, and our website has allowed us to successfully market our products on a nationwide basis."

Find out more about her business at www.HoneyBeesRock.com



➤ Energy Efficiency Loan Program

October is Energy Awareness Month. Since 2010, Pathway Lending has been a leading voice for energy efficiency and renewable energy in Tennessee. Beyond the [Tennessee Energy Efficiency Loan Program](#) - which provides loans for efficient lighting and HVAC, cool roofs, and other building improvements - they've made strides to reduce the impacts of doing business, whether by adopting new technologies or installing high efficiency lighting. Learn more [here](#).

❖ Upcoming Events and Items of Note

➤ **October:** Hispanic Heritage Month

- 9th Annual [Economic Summit on Women](#) – October 22, 2012, Nashville, TN

➤ **November:** [National Native American Heritage](#) Month

- Global Entrepreneurship Week – November 12-18, 2012, statewide

-
- National Entrepreneurs Day - November 19th
 - Small Business Saturday: November 24, 2012
Between Black Friday and Cyber Monday is a day dedicated to supporting small businesses nationwide. Learn more [here](#).
 - **December:**
 - 30th Annual National Minority Development Week – December 5-6, 2012, Washington, DC. It's the largest federally sponsored event on minority enterprise development. [Learn more](#). (Tennessee events are held annually in [Nashville](#) and [Memphis](#).)
-

❖ **Call for Entries:** Deadline December 21, 2012

- **Case Studies:** We want to spotlight how your organization worked with a client. How you plugged the company into resources, and what things that company or individual sought to accomplish. This serves two purposes, to highlight (1) your range of services and (2) the company itself statewide.
- **Best Practices:** Which ones have worked for your organization? Send a short paragraph with any links explaining how and why, and the challenges. Your best practices can be anything from how you process a client to programs developed to fill gaps that are producing good results (i.e. business matchmaking, mentor-protégée programs, loan programs, etc.).
- **Events:** What impactful events are you planning, co-planning or promoting for DBEs? Include the basics of who, what, when, where and how, with a link for more information. Also include the expected number of participants. *Send events that take place between January and the beginning of April 2013.*
- **Note:** There is a lot of great work being done across the state for DBEs. If you have questions that you would like to see how other groups are solving and/or addressing, send them along. Provide enough contextual information so your question can be answered in a relevant manner.

Send your best practices, questions, well wishes to ecd.bero@tn.gov. We look forward to hearing from you! Also, please feel free to forward this on to others.

About BERO: The Business Enterprise Resource Office (BERO) is housed within the Department of Economic and Community Development. BERO serves as a voice for and advocate of disadvantaged businesses (DBE); analyzes, disseminates and promotes best practices and access to capital to service providers; and reports on status of DBEs statewide.

About ECD: The Tennessee Department of Economic and Community Development's mission is to develop strategies which help make Tennessee the No. 1 location in the Southeast for high quality jobs. The department seeks to attract new corporate investment in Tennessee and works with Tennessee companies to facilitate expansion and economic growth.

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