

# Strengthening Iowa's Economy . . .



**Helping Business Owners Succeed!**



**2001  
Annual Report**

# Capitol Ideas

November 2001

Friends,

As Iowa and the nation cope with uncertain economic times, there is one certainty our state can count on—the continued contribution by its small businesses. Our state and our communities are strengthened by the jobs small businesses create as well as the goods and services they provide.

From generating new business to managing its finances, starting and growing a small business is a difficult and risky task. Yet Iowa's small business owners have a unique resource that can help them succeed—the Iowa Small Business Development Centers (SBDC).

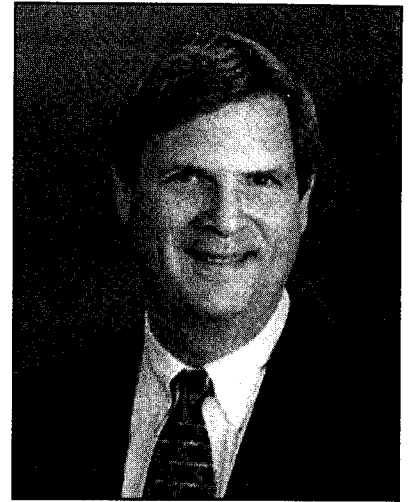
The SBDC helps Iowa's small business owners achieve success by being there when they need help the most. Through the unbiased, trusted advice of SBDC business counselors, entrepreneurs are able to make the tough decisions necessary to ensure survival. Comprehensive, customer-specific assistance programs and services, thorough research, and innovative technology all combine to benefit Iowa's small business community, and in turn, our state.

By providing quality resources and unique solutions to Iowa's entrepreneurs, the SBDC will continue to play a unique and crucial role in improving our communities' economic well-being and quality of life.

Sincerely,



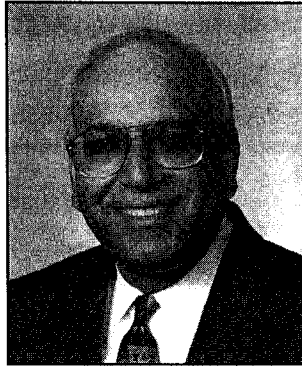
Thomas J. Vilsack  
Governor of Iowa



# From the Dean

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Small businesses and entrepreneurial activity remain an engine of growth for Iowa's economy. They provide countless job opportunities in diverse fields, while contributing innovative products and services to our state and the world.



Small business owners have a unique statewide resource for the latest in technical and company specific solutions—the Iowa Small Business Development Centers (SBDC). Whether a business aspires to enter new markets, expand its employee base, or develop new products and services, the SBDC offers the latest knowledge through new technologies and time-tested programs and services.

Just as the faculty of Iowa State University's College of Business offer the most current business information and innovative programs to our students, the cadre of SBDC business advisors provide managerial, financial, marketing and a vast array of technical assistance to entrepreneurs in every Iowa county. By linking theory and practice through outreach and working in partnership with Iowa's universities, community colleges, chambers of commerce and banks, the SBDC is working diligently to promote community economic development throughout Iowa.

The products and services of our small businesses have helped catapult Iowa into a new century with an unparalleled sense of energy and growth. By assisting Iowa entrepreneurs and small business owners, the SBDC is strengthening Iowa, its communities, and its citizens—one business at a time.

Sincerely,

A handwritten signature in cursive script that reads "Labh S. Hira".

Labh S. Hira, Interim Dean  
College of Business  
Iowa State University

**"The Small Business Development Center here provides great service to businesses, to banks, to the community as a whole. Our bank receives well-prepared loan packages and our business clients—new or existing—receive great advice and assistance with their day-to-day business needs. Our community, our bank and our businesses receive high quality, one-on-one professional assistance from the SBDC here."**

**Richard "Butch" Blanche  
Vice President, Commercial Loans  
Northwest Bank and Trust  
Davenport, Iowa**

# A Message from the Director

By providing comprehensive assistance to small business owners in all 99 Iowa counties, the SBDC is a valuable economic development tool for the state.

I recently heard a true story from one of our regional center directors. He was invited to a meeting called by the three owners of a small business partnership with 60 employees. The purpose of the meeting was simply to tell all invited of the plan to close down the business due to several serious problems, including negative cash flow. Also at the meeting was an attorney representing the business, an attorney representing the bank, two lending bankers, an SBA loan officer, and the local economic developer. The owners claimed they had no other recourse. Everyone was sad, but silent, and willing to accept their decision, except for the SBDC person, who kept asking "Why?" One question led to another and another, until the SBDC director said it wasn't obvious they had to close the doors on this mature business.

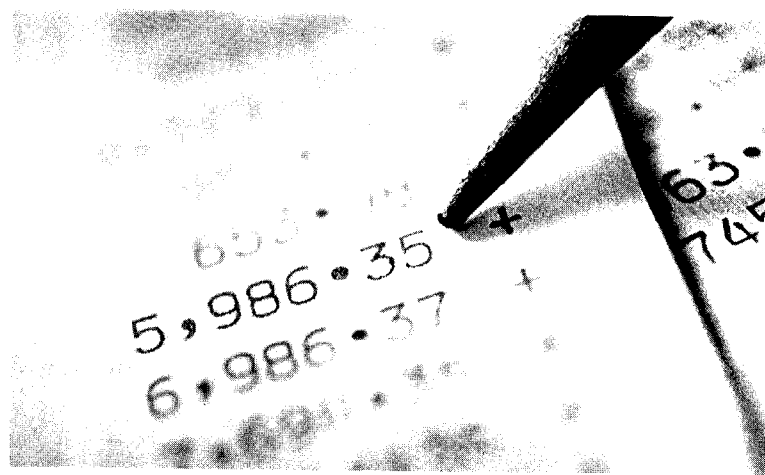


The story goes on in some detail, but the result was that the bankers in the meeting, the SBA person, and others helped refinance the debt, while the SBDC assisted with the core issues. Ten years later this business is alive and well and sixty jobs were saved. This was an Eastern Iowa SBDC client, but it could have been any one of our 16 centers. This is what we do!

Sincerely,



Ron Manning, State Director  
Iowa Small Business Development Centers



## 2001 Economic Impact Highlights

The Iowa SBDC makes an important contribution to the economic development of the State of Iowa.

The SBDC helped 12,211 clients, with 95,582 hours of service!

- 3,841 received 1-on-1 counseling
- 8,370 attended SBDC training sessions

### SBDC Clients in ONE year:

- generated \$16.9 million in incremental sales, an increase of 15.7% versus an increase of only 5.7% by the average Iowa business.
- generated 431 new jobs, an increase of 1.9% versus an increase of only 0.6% by the average Iowa business.
- contributed \$2.1 million in additional federal and state tax revenues.
- received \$34.3 million in capital as a direct result of SBDC assistance.
- leveraged approximately \$18.29 in debt and equity capital for every dollar spent on the SBDC program.
- returned \$8.99 in tax revenues for every \$1 cost of long term counseling.
- valued SBDC services at \$4.1 million, which is 5.49 times greater than the entire SBDC counseling budget.
- felt they would have been unable to obtain counseling of similar quality from a private consultant for a price they were willing to pay.

Source: James Chrisman, University of Calgary, Alberta, Canada, "Economic Impact of SBDC Counseling Activities in Iowa (FY2000)." The information above is incremental economic impact as compared to non-SBDC clients in Iowa.

## Western Iowa Tech SBDC *Success Story*

Kingsley Building Center, a full service lumber yard and building center, has been owned and operated by the Kuchel family in downtown Kingsley for more than 25 years.

The SBDC worked with Lu Anne Ruba to facilitate the financing package needed to purchase the business from her brother. With the SBDC's help, Lu Anne successfully applied for and was approved for a Targeted Small Business (TSB) Financial Assistance Grant from the Iowa Department of Economic Development (IDED), 504 financing from the SBA, and a commercial loan from a progressive small business lender in the area.

The change in ownership of the Kingsley Building Center resulted in many positive outcomes for the Kuchel family and the town of Kingsley. **Five jobs were retained and Kingsley was able to keep a long-time family business on their main street.** Kingsley is a growing and prosperous small town about 20 miles from Sioux City. It is important to the future development of the community and the economic base of the town to retain a vital small business such as Kingsley Building Center.



"I know the lumber business because I have worked in the field for almost 20 years, but I didn't know how to go about purchasing this business. The SBDC helped guide me through the process, from analyzing the financial statements in order to develop a financing proposal, to guiding me through the TSB process, and even helping me find a lender who was willing to overlook my gender and focus on my abilities. I was determined to keep this business in my family and the SBDC made the process easier for everyone involved: myself, the lender, and my family. The SBDC not only offers a variety of business expertise, but they are caring and compassionate people who provided me with the moral support I needed to get through what can be a very difficult and time consuming process."

Lu Anne Ruba, Owner  
Kingsley Building Center  
Kingsley, Iowa

## University of Iowa SBDC *Success Story*

"SBA's mission is to help entrepreneurs get into business and to stay in business, and the Iowa SBDC has been one of our most important tools in accomplishing this mission. Whether it's working with an existing business on a cash flow or personnel problem, an inventor who needs to develop and market a product, or a start-up business needing a business plan, the Iowa SBDC has the skills and the network in place to help. When it comes to helping small businesses develop a formula for success, the SBDC has been, and continues to be, the state's premier small business service provider."

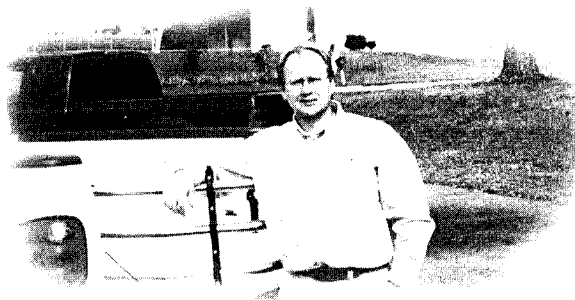
Cheryl Eftink, District Director  
U.S. Small Business Administration  
Des Moines, Iowa

James Thomson, District Director  
U.S. Small Business Administration  
Cedar Rapids, Iowa

West Branch Ford is a new Ford Motor Company franchise. The company sells and services new and used Ford cars and trucks. Brad Larson bought the business in August of 1999.

The University of Iowa SBDC helped Brad put together the business plan and the budgets required by Ford Motor Company before the company would approve the transfer of the franchise, and for credit and financing by both Ford Motor Credit and Hills Bank and Trust Company.

With the completed business plan, Brad was able to persuade Ford Motor Company to transfer the franchise in a small market to him. The documentation made it easier for him to finance the floor plan and the working capital as well. **The company has gone from 3 to 8 employees. Sales have grown from 60 to 400 vehicles and from \$2 million to almost \$10 million in sales in FY2001.** The show room, offices and the service equipment have all been modernized. Business has far exceeded the business plan projections.



"The Small Business Development Center helped lay the groundwork for a successful business plan. Without that plan I would have had a much harder time getting the franchise transferred by the Ford Motor Company, and receiving credit from Ford Credit and from Hills Bank and Trust Company. The services provided were invaluable to the success of West Branch Ford."

Brad Larson, Owner  
West Branch Ford  
West Branch, Iowa



## Iowa Lakes SBDC *Success Story*

Dave and Becky Brighton purchased Sportsman's of Storm Lake, Inc., a sporting goods store, in October 2000. Sportsman's has been in operation for over forty years and has become the sporting goods "store of choice" for Northwest Iowa.

The Brightons found the SBDC on the Iowa SBDC Web site and contacted Kelly McCarty of the Iowa Lakes SBDC. Kelly first met with Dave to review his business plan. The next step was to facilitate a Pre-Qualified Loan Application for the Brightons. The SBA approved a loan for \$225,000 with a local commercial bank in Storm Lake.

After operating the business for eight months Dave expanded his operation to Spencer, Iowa. **Opening the Spencer location created five jobs—a manager and four part-time positions.**

**"I had many years of experience in teaching and selling securities but didn't know the process of securing financing to purchase a business. The Iowa Lakes SBDC did a wonderful job in assisting me to put in place all of the necessary information to secure a loan."**

Dave Brighton, President  
Sportsman's of Storm Lake, Inc.  
Storm Lake and Spencer, Iowa

## North Iowa Area SBDC *Success Story*

In 1985, Jim Sliger invented a machine to boost standard hydraulic fluid pressure to very high-pressure operation.

The North Iowa Area SBDC had worked with Jim's previous company, Hydra Tech, on several occasions in the past and was contacted in 2001 to analyze a precarious cash flow that was causing disruptions in operations.

Rich Petersen met with Jim Sliger three times to fully complete the paperwork of the financial package that would include an extensive SBA 7(a) loan application. The 7(a) loan package was approved for \$840,000. This long-term financing allowed Jim's new company, North Iowa Fabrication, to consolidate and retire all existing short-term notes. The result was a much smaller monthly debt retirement payment and a greatly improved cash flow. **Sales are increasing and are expected to top \$1 million in 2001. Sales for 2002 should reach the \$2 million mark.**



**"The SBDC provided an invaluable service in restructuring the finances of my business."**

Jim Sliger, Owner  
North Iowa Fabrication  
Rockford, Iowa

## Drake SBDC *Success Story*



The Iowa Pain Management Clinic specializes in helping patients deal with all aspects of pain management.

The Clinic needed room to grow and a new location due to restructuring at Mercy Hospital. Their banker referred them to the Drake University SBDC. The SBDC assisted the Clinic with business and financial planning and they received both an SBA loan guarantee and a commercial loan package.

The Clinic's subsequent growth has exceeded all expectations and has resulted in the retention of three jobs and the creation of two more. The Clinic is returning as a Drake University SBDC client to deal with their rapid growth and will be creating another three jobs this year.

"The SBDC was extremely knowledgeable and helpful in assisting with our business plan and our cash flow projections. It was very nice to have help in developing our loan portfolio. We really feel that they are an integral part of our business. We recommend everyone use the SBDC."

Angela Shea, Office Manager  
Iowa Pain Management Clinic  
Des Moines, Iowa

"The SBDC is very important to the growth of our communities. Because their efforts to support small business development and growth have helped economic development, they are the first phone number we give out when a small business contacts us.

You can count on the SBDC in Iowa."

Mary Bontrager,  
Executive Vice President  
Greater Des Moines Partnership  
Des Moines, Iowa





"I owe a lot to the people down at the Iowa Central SBDC (Doug Sanders, Todd Madson, and Jon Clancy) for all their help and support throughout the years."

Gene VanGrevenhof, Owner  
Eagle Communications Inc.  
Fort Dodge, Iowa

## Iowa Central SBDC *Success Story*

Eagle Communications Inc. recharges laser printer cartridges and inkjet printers and sells, repairs, and services printers. The interesting thing about Eagle is that every employee is disabled.

The Iowa Central SBDC was one of the first places the owner, Gene VanGrevenhof, stopped for assistance. Todd Madson worked with Gene on start-up information, market research information, financial assistance information, and proper location. As the business has grown the Iowa Central SBDC continues working with Gene in other areas, such as international trade, financial analysis, and human resource management.

Eagle Communications Inc. has grown into a successful small business with state and national recognition. **The business has had to move three times because of its growth.** Gene was presented with the Governor's Award from the Iowa Commission of Persons With Disabilities last October, the highest honor bestowed by the commission. Other awards that Gene and his company have received include: 1998 Small Business Employer of the Year from the Iowa Commission of Persons with Disabilities, Evan Kemp Entrepreneurship Award from the U.S. Small Business Administration, and an award from the President's Committee on Employment of People with Disabilities.

## 2001 Iowa SBDC State Advisory Board

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Iowa City

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Company  
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Martha Wolf  
Ivy Bake Shoppe &  
Cafe  
Fort Madison

Dana McElwain  
Laurel Tree Records  
Woodbine

\* Chair \*\*Vice Chair

# Special Programs

## SBDC SOLUTIONS NEWSLETTER

The *SBDC Solutions* e-mail newsletter, launched in January 2000, brings information and resources from the IBN and our sixteen-center network to over 2,400 subscribers each month. As an extension of our popular IBN Web site, each issue of the *Solutions* newsletter is filled with how-to articles, information, on-line resources and upcoming events.

## COMPLIANCE ALLIANCE

The Iowa SBDC administers and coordinates a multi-state project called the Small Business Compliance Alliance. This program is designed to help businesses understand and comply with complex government regulations from EPA, OSHA and IRS. The program is now in its 4th year of development and pilot testing.



## IOWA BUSINESS NETWORK

Iowa's best business resource, the Iowa Business Network (IBN), has just been improved! It now features a new, more intuitive navigation system and an enhanced search feature that provides fast and easy access to over 500 helpful articles and more than 900 links to other useful Web sites. Thousands of people visit the IBN each year, accessing our vast database of resources.

The IBN is supported by a number of public and private organizations—including sponsors MidAmerican Energy, Iowa State University, RSM McGladrey, the Des Moines Business Record, and American Express. Together we're working to provide high-quality on-line resources for Iowa's entrepreneurs. Check out the IBN today at [www.iabusnet.org](http://www.iabusnet.org).



## TARGETED SMALL BUSINESS PROGRAM

Our Drake SBDC hosts the Iowa Targeted Small Business (TSB) Marketing Program. The purpose of this program is to provide marketing and technical assistance services to small, disadvantaged businesses in Iowa, especially businesses owned by minorities, women and disabled persons.

In the program's first year under SBDC direction, we accomplished:

- Compilation of a comprehensive statewide database of small, disadvantaged businesses.
- Completion of an annual needs survey of certified TSBs.
- Development and coordination of marketing and assistance services throughout the SBDC state network.
- Training for the construction and trades in three SBDCs across Iowa, giving workshop attendees a working knowledge of assessing and preparing government bids in the construction industry.

# Special Programs

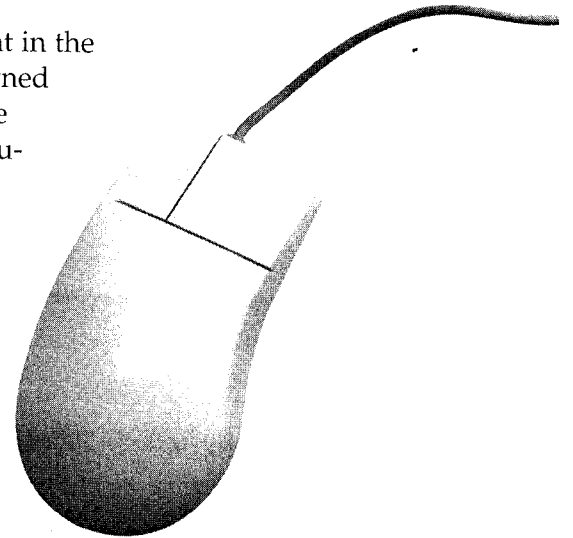


## IOWA TECHNOLOGY SHOWCASE

To help Iowa companies become more competitive in the information technology (IT) arena, the Iowa SBDC organized a statewide technology conference in 1996 called InfoIowa. In 1999, the SBDC joined forces with the largest IT show organizer in the United States to create a new event, the Iowa Technology Showcase (ITS).

For the past 3 years this technology event has been the most significant in the region. The Polk County Convention Complex in Des Moines was turned into an IT haven for nearly 2,700 attendees the first year, over 3,700 the second year and almost 5,000 this year. Besides the wonderful opportunity to see new technologies firsthand and listen to dynamic speakers, attendees had their pick of many educational workshops to increase their IT knowledge in this fast-growing business field.

As an ITS partner, this event provides a great opportunity for the Iowa SBDC to help Iowa's small business community, establish new partnerships with both private and public organizations, and enhance our reputation as a leader in e-business resources.



## IOWA FAMILY BUSINESS FORUM

In 1995 the Iowa SBDC established the Iowa Family Business Forum (IFBF) so we could provide information and discussion opportunities to family members managing Iowa companies. The Forum offers Iowa's family businesses the unique resources families need to build, support, and grow their family businesses. Resources are available for all family business owners, their families and key non-family managers.

This year's topics included how to save or make money using the Internet, head hunting—the fine art of recruiting, retaining and managing employees, and making the most of recent tax law changes. Speakers included a blend of nationally known and local family business experts familiar with Iowa family business issues.

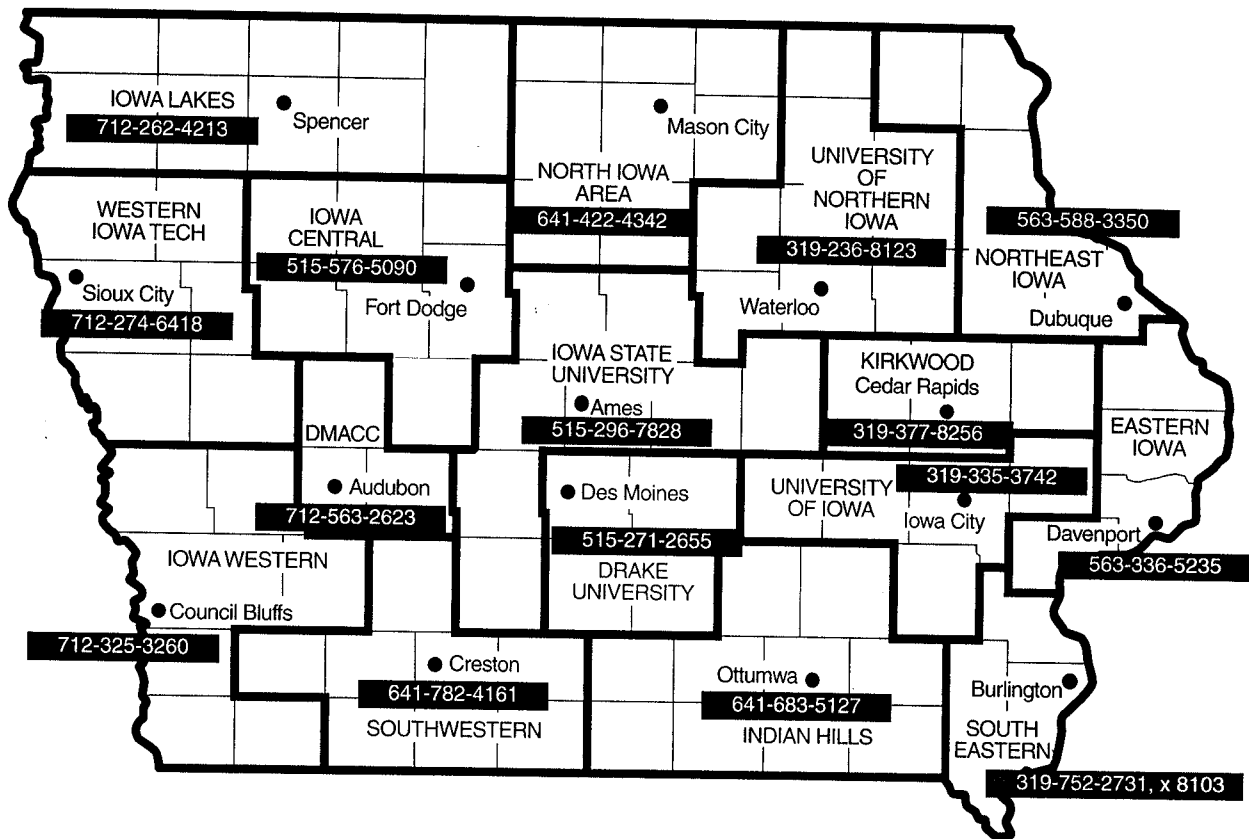
To date, the Forum has provided resources to more than 70 companies and 150 family members. Iowa Family Business Forum sponsors include Tisue & Associates, MassMutual, RSM McGladrey, Iowa State University and Wells Fargo.

# The Iowa SBDC Network

STATE OFFICE

1-800-373-7232 ■ Fax: 515-292-0020

[www.iabusnet.org](http://www.iabusnet.org)



The Iowa Small Business Development Center is partially funded (26%) by the U.S. Small Business Administration (SBA) under Agreement No. 2-7620-0016-21. SBA's funding is not an endorsement of any products, opinions, or services. All SBA-funded programs are extended to the public on a nondiscriminatory basis. Appointments, promotions, admissions and programs in Iowa are administered equally to all without regard to race, color, age, religion, sex, national origin, sexual orientation, marital status, disability, or status as a Vietnam Era Veteran.

Call 515-294-7612 to report discrimination.

Other SBDC partners include: Iowa State University's College of Business, the State of Iowa, the Iowa Department of Economic Development, the Iowa Manufacturing Extension Partnership, the Iowa Women's Enterprise Center, MidAmerican Energy Company, RSM McGladrey LLP, U. S. West, Drake University, Iowa's Regent universities, Iowa's community colleges, Iowa's chambers of commerce, and other local and private entities.