

# SBA NEW JERSEY

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THIRD QUARTER

2000

## SBA Community Express Program Rolls into New Jersey

**A**n innovative U.S. Small Business Administration (SBA) program that matches loans to New Markets entrepreneurs with technical assistance is going nationwide, according to SBA Administrator Aida Alvarez.

The program is an important expansion in the agency's efforts to bring traditionally under-served markets into the mainstream of the economy.

Speaking to more than 200 small business owners and Rainbow/PUSH delegates meeting in Chicago, Administrator Alvarez announced the expansion of the SBA Community Express Loan Program from a pilot involving nine banks in 20 locations to as many as 500 lenders nationwide.

Community Express is a joint initiative between SBA and the National Community Reinvestment Coalition (NCRC). The program is aimed at **New Markets areas, usually comprised of small businesses owned by minorities, women and veterans, particularly those located in low and moderate income urban and rural areas.**

**"Community Express brings together the SBA's program experience and lending**



**capability with the lending and community development expertise of the NCRC," Administrator Alvarez said. "And now that we are expanding this program nationwide, more Americans will have the opportunity to fully participate in the mainstream of the U.S. economy by starting and growing successful small businesses."**

The Administrator was participating in a Rainbow/PUSH Roundtable discussion on promoting diversity and moving people "from the margins to the mainstream."

"The partnership between the SBA and the NCRC provides critically-needed access to capital for small businesses in traditionally under-served areas of the country, along with technical and management assistance to loan recipients," added Administrator Alvarez.

Community Express is an innovative approach to bring SBA financing to areas where commercial loans have been difficult to get. Additionally, lenders will use expedited loan review and approval procedures to process these SBA-guaranteed loans. The lenders may also use their own loan analyses, loan

procedures and loan documentation. Completed loan applications are then submitted for approval to SBA's processing center in Sacramento, California. The SBA provides the lender with a response, typically within 36 hours.

Unlike SBA's Express loan program, which gives lenders a 50 percent guarantee on a loan, the lender will receive an 80 percent guaranty on Community Express loans of \$100,000 or less and a 75 percent guaranty on loans of more than \$100,000. The maximum loan amount under Community Express is \$250,000.

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# Small Firms Look to SBA for Venture Capital

**T**he U.S. Small Business Administration's (SBA) Small Business Investment Company (SBIC) program could very well be the agency's best kept secret.

After its creation in 1958, the SBIC program has gone on to provide venture capital for the likes of Apple Computer, Federal Express, Intel Corporation, Sun Microsystems and the Outback Steakhouse to name a few.

SBICs are privately owned and managed, profit-motivated investment firms that are licensed and regulated by the SBA.

SBICs provide equity capital, long-term loans, debt-equity investments and management assistance to qualifying small businesses. According to SBA New Jersey District Director, Francisco A. Marrero, the SBICs make these venture capital investments with their own funds, plus funds obtained by borrowing at favorable rates with an SBA guaranty.

SBA requires a minimum private capital investment of \$5 million for an SBIC. An SBIC in good standing, with a demonstrated need for funds, may receive leverage equal to 300 percent of its private capital. In addition, an SBIC with at least 50 percent of its "total funds available for investment" invested or committed in "venture capital" may receive an additional tier of leverage per dollar of private capital for total leverage of 400 percent of private capital. However, in no event may any SBIC draw down leverage in excess of \$90 million. "Many investment companies seek

out small businesses with new products or services because of the strong growth potential of such firms," said Marrero. "Some SBICs specialize in a particular field in which their management has special knowledge or competency. Most, however, consider a wide variety of investment opportunities."

Since 1995, SBICs in New Jersey have invested in over 600 business ventures for a total of \$379 million.

According to Marrero, SBICs can obtain financing through a number of means: acquiring private equity capital, publicly selling stock, taking advantage of government leverage, issuing debt securities, and obtaining loans.

**Loans**-SBICs can make long-term loans to small business concerns in order to provide them with funds needed for their sound financing, growth, modernization, and expansion. An SBIC may provide loans independently, or in cooperation with other public or private lenders. SBIC loans to small business concerns may be secured, and should be reasonably sound value. Such a loan may have a maturity of no more than 20 years, although under certain conditions the SBIC may renew or extend a loan's maturity for up to 10 years.

**Debt Securities**-An SBIC may elect to loan money to a small business concern in the form of debt securities-loans for which the small business concern issues a security, which may be convertible into or have rights to purchase equity in the small business concern. These securities may also have special amortization and subordination terms.

**Equity Securities**-By law, the SBIC must provide equity capital to small business concerns, and may do so by purchasing the small business concern's equity securities. The SBIC may not, however, become a

general partner in any unincorporated small business concern, or otherwise become liable for the general obligations of an unincorporated concern.

"SBA's SBIC program gives small firms another financing option," said Marrero. "The program fills a gap between the availability of venture capital and the needs of start-up and existing businesses."

In 1999, small business investment companies made 53 percent of all institutional venture capital investments in the United States; invested 93 percent of their funds in equity-type investments; invested 44 percent of their funds in start-up businesses less than two years old; and provided funding to businesses in 49 states, the District of Columbia and the U.S. Virgin Islands.

"The SBIC Program has such a rich history with this agency," said Marrero. "We are making an extra effort to market this program to small business owners throughout the state."

"Obviously, by offering more options to small business owners, we are creating an environment where small entrepreneurs can thrive," said Marrero. "The SBIC is another tool that our customers can utilize. It really is a great program. Now I just want to see more New Jersey firms take advantage of it."

# Where to Find an SBA Licensed SBIC

The following is a list of SBA licensed Small Business Investment Companies in New Jersey who provide small firms with capital to grow or expand their businesses.

**Acorn Technology Fund**  
 Five Vaughn Drive  
 Princeton, NJ 08540  
 Contact: John Torkelsen  
 Tel: (609) 452-0037

**Alliance Mezzanine Investment**  
 96 Pompton Road  
 Verona, NJ 07044  
 Contact: Robert Eberhardt  
 Tel: (973) 239-8900

**CIT Group/Venture Capital, Inc.**  
 44 Whippany Road - Suite 140  
 Morristown, NJ 07960  
 Contact: Colby W. Collier, Manager  
 Tel: (973) 401-6700

**Capital Circulation Co.**  
 2035 Lemoine Avenue - 2nd Floor  
 Fort Lee, NJ 07024  
 Contact: Judy Kao, Manager  
 Tel: (201) 947-8637

**DFW Capital Corporation**  
 300 Frank Burr Blvd. 5th Floor  
 Teaneck, NJ 07666  
 Contact: Donald De Muth, Manager  
 Tel: (201) 836-2233

**Early Stage Enterprise**  
 995 Route 518  
 Skillman, NJ 08558  
 Contact: Ronald Hahn  
 Tel: (609) 921-8896

**Edison Venture Fund IV**  
 1009 Lenox Drive #4  
 Lawrenceville, NJ 08648  
 Contact: John Martinson  
 Tel: (609) 896-1900

**Liberty View Equity Pa SBIC, L.P.**  
 101 Hudson Street Suite 3700  
 Jersey City, NJ 07302  
 Contact: Scott Flamm  
 Tel: (201) 369-7302

**MidMark Capital, L.P.**  
 466 Southern Boulevard  
 Chatham, NJ 07928  
 Contact: Dennis Newman, Manager  
 Tel: (973) 822-2999

**Penny Lane Partners**  
 One Palmer Square - Suite 309  
 Princeton, NJ 08542  
 Contact: William R. Denslow, Jr. Manager  
 Tel: (609) 497-4646

**Sycamore Venture Capital**  
 989 Lenox Drive - Suite 208  
 Lawrenceville, NJ 08648  
 Contact: Richard B. Goodwyn  
 Tel: (609) 219-0100

**Tappan Zee Capital**  
 201 Lower Notch Road  
 Little Falls, NJ 07424  
 Contact: Jeffrey Birnberg  
 Tel: (973) 256-8280

**University Ventures**  
 180 University Avenue  
 3rd Floor  
 Newark, NJ 07102  
 Contact: Oscar Figueroa  
 Tel: (973) 353-5627

\$

**For additional information on SBA's Small Business Investment Company (SBIC) program, visit our website at [WWW.SBA.GOV/INV/](http://WWW.SBA.GOV/INV/)**

***Community Express***

*(Continued from Page One)*

The loans include term loans, lines of credit and commercial mortgages. Loan proceeds can be used for purchasing inventory, machinery and equipment, land and buildings and for working capital.

The critical element of the program is the link between the SBA-backed loans and the technical assistance that will be funded by lenders and provided by NCRC member organizations.

Borrowers will receive hands-on training and support, both before and after loan closings.

Since the pilot began in June 1999, participating lenders have made 110 loans ranging from \$5,000 to \$250,000. The total is about \$11.1 million. About two-thirds of the loans have gone to minority-owned businesses, and about 43 percent have been to businesses owned by women.

The recent expansion of the program widens the pilot program from the original nine lenders to as many as 500 additional lenders – the better performing lenders participating in the agency's Preferred Lenders Program (PLP), as well as selected non-PLP lenders in some areas.

SBA will review the performance of its 7(a) lenders to determine which are eligible, and those lenders will be notified that they are eligible to participate.

For additional information about SBA's **Community Express** loan program, contact William Boone at (973) 645-2179.

# SBA's NJ TOP 25 LENDERS

(For the Period of October 1, 1999 through July 31, 2000)

Participating Lenders	# of Loans	Total Amount	African-American	Amount
1) Fleet Bank	335	\$19,311,600	20	\$ 708,500
2) Commerce Bank	201	\$46,431,100	10	\$ 2,487,300
3) Banco Popular North America	102	\$22,264,800	7	\$ 771,400
4) Valley National Bank	81	\$16,180,700	4	\$ 670,000
5) Unity Bank	65	\$23,672,600	1	\$ 170,000
6) CIT Small Business Lending Corporation	63	\$34,465,600	1	\$ 393,000
7) Business Lenders, LLC	62	\$24,369,800	4	\$ 733,000
8) PNC Bank	57	\$ 8,197,200	7	\$ 313,000
9) Summit Bank	37	\$10,799,300	1	\$ 235,000
10) United National Bank	34	\$10,255,200	1	\$ 100,000
11) Broadway National Bank	26	\$ 8,519,000	1	\$ 147,000
12) Phillipsburg National Bank	23	\$ 4,460,000		
13) Heller Financial	18	\$10, 570,000		
14) First Union Small Business Capital	17	\$ 4,180,700		
15) Hudson United Bank	16	\$ 3,767,800		
16) First Washington State Bank	16	\$ 3,468,300	1	\$ 56,300
17) GE Capital	15	\$ 6,112,700		
18) Columbia Savings Bank	13	\$ 5,719,500		
19) Sun National Bank	12	\$ 3,558,000	1	\$ 65,000
20) 1st Constitution Bank	12	\$ 2,073,000		
21) Business Loan Center	11	\$ 5,830,000		
22) The Chase Manhattan Bank	11	\$ 595,000	1	\$ 60,000
23) First International Bank	10	\$ 6,585,000		
24) Bank United	10	\$ 3,952,000		
25) Independence Community Bank	10	\$ 2,085,000	1	\$ 75,000

# NEW MARKET LENDING ACTIVITY

Lender *	Asian-Pacific	Amount	Hispanic-American	Amount	Women	Amount	Veterans	Amount
1	63	\$ 3,414,400	25	\$ 1,133,500	68	\$ 3,099,500	27	\$ 942,100
2	8	\$ 1,964,500	1	\$ 124,000	34	\$ 4,410,300	17	\$ 1,945,000
3	11	\$ 1,577,900	19	\$ 2,855,500	15	\$ 3,222,000	4	\$ 1,410,000
4	5	\$ 1,835,500	4	\$ 940,000	26	\$ 4,032,800	8	\$ 1,547,900
5	27	\$12,677,500	2	\$ 405,000	9	\$ 2,895,000	2	\$ 1,060,000
6	14	\$ 8,844,000	11	\$ 6,306,500	7	\$ 2,139,000	2	\$ 509,000
7	11	\$ 6,394,000	4	\$ 610,000	12	\$ 5,085,900	2	\$ 616,000
8	3	\$ 213,000	3	\$ 88,200	11	\$ 1,061,000	4	\$ 280,000
9	3	\$ 519,000	2	\$ 407,000	8	\$ 1,329,000	3	\$ 731,000
10	3	\$ 994,000	2	\$ 275,000	7	\$ 981,200	3	\$ 1,455,000
11	19	\$ 6,305,000			6	\$ 918,000	2	\$ 535,000
12	1	\$ 700,000			7	\$ 1,040,000	4	\$ 725,000
13	2	\$ 1,492,000			2	\$ 1,234,500	3	\$ 1,065,000
14	3	\$ 528,500	3	\$ 260,000	2	\$ 363,500		
15			2	\$ 315,000	5	\$ 702,300	2	\$ 120,000
16			1	\$ 232,000	5	\$ 802,000	1	\$ 375,000
17	1	\$ 243,000			3	\$ 740,700	2	\$ 1,815,000
18	2	\$ 225,500			5	\$ 922,500	1	\$ 300,000
19	1	\$ 1,000,000			4	\$ 738,000	2	\$ 140,000
20	2	\$ 205,000			3	\$ 355,000		
21	5	\$ 3,120,000	2	\$ 280,000	1	\$ 500,000		
22	6	\$ 255,000			5	\$ 245,000		
23	6	\$ 3,360,000			1	\$ 1,035,000	2	\$ 1,700,000
24	4	\$ 2,430,000						
25	1	\$ 300,000	1	\$ 40,000	4	\$ 1,025,000		

\* Lender number corresponds to lender number on page 4

8(a) Business Development

# SBA Issues Final Rule on Contract Bundling

**T**he U.S. Small Business Administration (SBA), along with the Federal Acquisition Regulatory Council, recently issued a final regulation that will provide American small businesses with more opportunity for participation in the \$200 billion a year government contracting market. The new rule is aimed at the practice of contract bundling, the consolidation of two or more procurement contracts into a single larger contract.

**“Under the new regulation,”** explained SBA Administrator Aida Alvarez, **“federal agencies will have to demonstrate that bundling contracts will produce ‘measurably substantial benefits’ in reduced costs, shorter acquisition time, or more favorable terms and conditions. If not, the contracts will be unbundled, allowing small businesses to compete.”**

Agencies will be required to conduct an analysis, quantify and document the benefits before contracts can be combined. While bundled contracts may include

improvements in any of five separate areas, they **must result in:**

- Benefits equivalent to 10 percent of the contract value, if the contract including options is \$75 million or less; or
- Benefits equivalent to five percent of the contract value, or \$7.5 million, (whichever is greater) if the contract including options is over \$75 million.

Only the most senior officials within a federal agency can make the determination to allow a bundled contract to proceed if it fails to meet the benefit analysis requirements. To justify the action, that official must determine that the contract consolidation is critical to the success of the agency’s mission. Even if the bundled contract is allowed, the agency must put in place a procurement strategy that ensures the maximum small business participation possible.

The bundling rules also establish clear guidelines for small businesses to joint venture on the bundled contracts. Under the old rule, small businesses banding together were

sometimes disqualified because the resulting new employee count or combined revenues would exceed SBA’s definition of a small business.

The rule appeared in *The Federal Register* on July 26, 2000 and is effective immediately. Codifying the contract bundling rule is just the latest in a series of Clinton-Gore Administration accomplishments to ensure that small businesses benefit from acquisition reform. Since the beginning of the Clinton-Gore Administration, small businesses have secured more than \$290 billion in federal government contracts, with small disadvantaged businesses, including SBA’s 8 (a) firms, earning over \$71 billion. Women-owned businesses obtained about \$23 billion.

In fiscal year 1998, the set-aside goal for small business contracts increased from 20 to 23 percent of all federal prime contracts. That goal was achieved in 1998 and 1999.

Questions regarding the new contract bundling rule should be directed to Marie Burke at (973) 645-6491. Those interested in reporting contract bundles, should visit the SBA National Bundling website at [www.sba.gov/GC/bundle.html](http://www.sba.gov/GC/bundle.html)

## SBA 8(a) Orientation Seminars Set

In an effort to recruit socially and economically disadvantaged firms into its 8(a) Program, the SBA New Jersey District Office is offering a series of **free** seminars that will explain the certification process to qualified firms interested in doing business with the federal government.

For additional information about the 8(a) Program and the orientation seminars, please contact JoeAnn Shaeffers at (973) 645-4651, or by e-mail: [joeann.shaeffers@sba.gov](mailto:joeann.shaeffers@sba.gov).

DATE	LOCATION	DATE	LOCATION
October 5, 2000	Newark	October 19, 2000	Newark
October 10, 2000	Camden	November 2, 2000	Newark

SUCCESS STORY

# Precision Pays Off in Success

**T**ito Rosado will tell you that he makes his living from being precise. As president of Computa-Base Machining, a Berlin-based company that specializes in the manufacturing of precision machining, tools and sheet metal fabrication he has to.

"We work closely with the aerospace, defense and electronics industries," said Tito. "You won't find us shipping one bad product out to a customer. It's just not going to happen."

John Rosado started Computa-Base Machining in 1981. In 1989, Tito merged his concrete, asphalt and construction business with John's business. Eventually, John and Tito would dissolve the construction business and focus their efforts on precision parts, tools and sheet metal fabrication.

In April of 1997, John Rosado died of lung cancer. It was at this time that Tito stepped in and became president of the company. During that period Tito wanted to continue to build the company on the foundation that John had set. Looking to expand the company's customer base he turned to the U.S. Small Business Administration (SBA).

After hearing how the U.S. Small Business Administration's (SBA) 8(a) Program provides minority-owned and other disadvantaged companies with training and access to federal procurement opportunities, Tito decided to apply for certification. As a Hispanic-American, he qualified to participate in the 8(a) Program.

According to Tito, Dr. Patricia Peacock, director of the Rutgers-Camden Small Business Center was instrumental in helping the firm with the SBA's 8(a) application process. "We owe Dr. Peacock a great deal of gratitude for the

help she provided us while we were applying for 8(a) certification," said Tito.

In 1999, Computa-Base Machining became an SBA certified 8(a) company. Since that time, the company has received five 8(a) contracts from the federal government. Some of those contracts have been with U.S. Navy, U.S. Army and the U. S. Air Force.

"The 8(a) Program has helped us immensely," said Tito. "As a result of being in the program, we have been able to secure contracts with several federal government agencies. SBA's Richard Zilg and Sanford Gerber have been very supportive of us and have helped us identify government agencies that have an interest in our company's capabilities."

"Make no mistake, the SBA 8(a) Program can help small disadvantaged firms that provide a quality product or service to the federal government, said SBA New Jersey District Director Francisco A. Marrero. "The 8(a) Program can open doors for Small disadvantaged companies like Computa-Base Machining who find it difficult to do business with the federal government."

"Computa-Base Machining is the perfect model for other 8(a) companies to follow, said Marrero. "The company does not solely rely on government work for its source of revenue. In fact, 75 percent of the firm's work is commercial, while the other 25 percent is in federal government contracts."

According to Tito, Computa-Base Machining was the first 8(a) company to supply the Air Force with sheet metal for the F-16.

Tito also speaks about a job that his

company completed for the Navy. "We were able to make a loading mechanism for a missile wing of a fighter plane for the Navy," said Tito. "Prior to us receiving the contract, the Navy tried other companies and no one could produce that part."

Tito points out that Computa-Base Machining has the capability to build any part or tool to specification. "We have state-of-the-art computerized equipment that enables us to make parts or tools to a customer's specification," said Tito. "We are also ISO 9002 certified, and are certified under the Military Inspection System. Both programs establish a quality control program for Computa-Base Machining. The latter is required before you can sell a part to the United States Government."

Today, Computa-Base Machining employs 19 people and has annual sales in excess of \$2 million. "We are always looking for ways to grow our business," said Tito. "Our government contracting specialist is constantly searching the Internet for government bids."

In addition to its government work, Computa-Base Machining has done work for Lockheed Martin, Raytheon Corporation, RCA Corporation, and General Electric. "We built custom towers for a Sega Genesis display at the Epcot Center and we made 8'x6' aluminum and steel signs for the South Eastern Pennsylvania Transportation Authority (SEPTA)," said Tito.

"We would like to continue to grow," said Tito. "Thankfully we have had a great deal of help with our growth. People like Wendy Barlett, our loan officer at Commerce Bank, have taken the time to understand our business and provide us with the funding to expand."

## 2000 Resource Guide Is Available

The 2000 edition of the *New Jersey Small Business Resource Guide* is available from the U.S. Small Business Administration (SBA) New Jersey District Office.

SBA New Jersey District Director Francisco A. Marrero, said the free 39-page guide features sections on *How to Start a Small Business; Financing Your Business; Government Regulations; SBA Financial and Technical Assistance Programs, Government Contracting Programs* and a *List of Local Sources of Assistance*.

To receive a copy of the *New Jersey Small Business Resource Guide*, call the SBA New Jersey District Office at (973) 645-2434.



U.S. Small Business Administration

Community Assistance Seminars

The Following Series of Free Seminars can Help You Learn About SBA Loan and Business Counseling Programs.

For Information about the seminars or other SBA programs and services, please call (973) 645-2434, or visit our web site at [www.sba.gov](http://www.sba.gov)

DATE	LOCATION
September 28, 2000	Washington, NJ
October 11, 2000	Carney's Point, NJ
October 24, 2000	Atlantic City, NJ
October 27, 2000	Newark, NJ

## SBA Seeks Small Business Week Nominations

The U.S. Small Business Administration (SBA) is searching for outstanding New Jersey small business owners and small business advocates who will be honored during National Small Business Week next May.

Nominations are being sought for **New Jersey's Small Business Person of the Year** and for outstanding **small business advocates** in the areas of **minority, women,**

**veteran, accountant, financial services** and **Small Business Journalist of the Year**. Special awards will be presented to a **small business exporter of the year**, a **Young Entrepreneur of the Year**, and the **Entrepreneurial Success Award**

Nominations should be submitted to the SBA New Jersey District Office at Two Gateway Center, 15<sup>th</sup> Floor, Newark, New Jersey

07102. The **deadline for all nominations is Monday, November, 13<sup>th</sup>, 2000.**

For more information on eligibility criteria, or to receive a copy of this year's nomination guidelines, please contact Harry Menta at (973) 645-6064, or e-mail him at **Harry.Menta@SBA.GOV**.

## HOW TO REACH US

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