

## CDC Business Loan Dictionary

**ACCOUNTING** – The recording, classifying, summarizing and interpreting in a significant manner and in terms of money, transactions and events of a financial character.

**ACCOUNTS PAYABLE** - Trade accounts of businesses representing obligations to pay for goods and services received

**ACCOUNTS PAYABLE AGING REPORT** – Detailed year-to-date report regarding the obligations due to suppliers

**ACCOUNTS RECEIVABLE** - Trade accounts of businesses representing moneys due for goods sold or services rendered evidenced by notes, statements, invoices or other written evidence of a present obligation.

**ACT** - Small Business Act - Also see <http://www.sba.gov/library/lawroom.html>

**ADA** (Americans with Disabilities Act) - The Americans with Disabilities Act (ADA) gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

**AFFILIATES** - Business concerns, organizations, or individuals that control each other or that are controlled by a third party. Control may include shared management or ownership; common use of facilities, equipment, and employees; or family interest. The calculation of a firm's size includes the employees or receipts of all affiliates. Affiliation with another business concern is based on the power to control, whether exercised or not. Such factors as common ownership, common management and identity of interest (often found in members of the same family), among others, are indicators of affiliation. Power to control exists when a party or parties have 50 percent or more ownership. It may also exist with considerably less than 50 percent ownership by contractual arrangement or when one or more parties own a large share compared to other parties. The affiliated business concerns need not be in the same line of business.

**AMORTIZATION** - Gradual reduction of term debt by periodic payment sufficient to pay current interest and to eliminate the principal at maturity.

**ANNUAL RECEIPTS** - Receipts are averaged over a firm's latest 3 completed fiscal years to determine its average annual receipts. "Receipts" means the firm's gross or total income, plus cost of goods sold, as defined by or reported on the firm's Federal Income Tax return. The term does not include, however, net capital gains or losses, nor taxes collected for and remitted to a taxing authority if included in gross or total income. The firm may not deduct income taxes, property taxes, and cost of materials or funds paid to subcontractors. Travel, real estate and advertising agents, providers of conference management services, freight forwarders and customs brokers may deduct amounts they collect on behalf of another. If a firm has not been in business for 3 years, the average weekly receipts for the number of weeks the firm has been in business is multiplied by 52 to determine its average annual receipts.

**APPRAISED VALUE** - The value placed on an item, product or business by an appraiser, recognized for experience in a particular field.

**ASSETS** - The entire property of a person, association, corporation, or estate applicable or subject to the payment of debts.

**ASSUMPTIONS** - The act of assuming/undertaking another's debts or obligations.

**BAD DEBTS** - Funds owing to a business which are determined to be uncollectible.

**BALANCE SHEET** - Financial statement listing a company's assets, liabilities, and equity on a specific date.

**BANKRUPTCY** - A condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets. In the action the property of a debtor is taken over by a receiver or trustee in bankruptcy for the benefit of the creditors. This action is conducted as prescribed by the National Bankruptcy Act, and may be voluntary or involuntary.

**BOOK VALUE** - The value of an item or property at a specific time after deducting depreciation from original cost.

**BREAK-EVEN POINT** - The break-even point in any business is that point at which the volume of sales or revenues exactly equals total expenses -- the point at which there is neither a profit nor loss -- under varying levels of activity. The break-even point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume and profits.

**BUSINESS BIRTH** - Formation of a new establishment or enterprise.

**BUSINESS CONCERN** - A business concern eligible for assistance as a small business is a business entity organized for profit, with a place of business located in the United States, and which operates primarily within the United States or makes a significant contribution to the US economy through payment of taxes or use of American products, materials, or labor.

**BUSINESS DEATH** - Voluntary or involuntary closure of a firm or establishment.

**BUSINESS DISSOLUTION** - For enumeration purposes, the absence from any current record of a business that was present in a prior time period.

**BUSINESS FAILURE** - The closure of a business causing a loss to at least one creditor.

**BUSINESS INFORMATION CENTER (BIC)** - One of more than 80 specialized U.S. Small Business Administration units which offer the latest in high-technology hardware, software and telecommunications to assist small business PLUS one-on-one counseling with seasoned business veterans from SCORE and/or staff from a Small Business Development Center (SBDC). Each BIC offers electronic bulletin boards, computer data bases, on-line information exchange, periodicals and brochures, counseling, video tapes, reference materials, texts, start-up guides, application software, computer tutorials and interactive media.

**BUSINESS PLAN** - A comprehensive document which clearly describes the business developmental objective of an existing or proposed business. The plan outlines what and how and from where the resources needed to accomplish the objective will be obtained and utilized.

**CAIP - Community Adjustment and Investment Program** - The United States Community Adjustment and Investment Program was created to help communities that suffered job losses due to changing trade patterns with Mexico and Canada following the North American Free Trade Agreement (NAFTA). The CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and encourages business development and expansion in impacted areas. Through the CAIP, credit is available to businesses in eligible communities to create new, sustainable jobs or to preserve existing jobs.

**CANCELED LOAN** - The annulment or rescission of an approved loan prior to disbursement.

**CAPACITY TO REPAY** - The determination made by a lender on whether a borrower can repay a loan after examining financial statements, financial ratios and operating data.

**CAPITAL** - 1. Assets less liabilities, representing the ownership interest in a business; 2. A stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period; 3. Accumulated goods devoted to the production of goods; 4. Accumulated possessions calculated to bring income.

**CAPITAL EXPENDITURES** - Business spending on additional plant equipment.

**CAPITALIZATION** - The basic resources of a company including the owner's equity, retained earnings and fixed assets. One of the "Five C's" of Credit

**CAPITALIZED PROPERTY** - Personal property of the business which has an average dollar value of \$300.00 or more and a life expectancy of one year or more. Capitalized property shall be depreciated annually over the expected useful life to the agency.

**CAPLINES LOAN PROGRAM** - CAPLines is the umbrella program under which the SBA helps small businesses meet their short-term and cyclical working-capital needs.

**CARRYING COSTS** - Inventory costs associated with capital, storage, handling expenses, insurance, taxes and obsolescence.

**CASH CONVERSION CYCLE** - The length of time between the payment of payables and the collection of receivables.

**CASH FLOW** - The movement of money into and out of your business.

**CASH FLOW STATEMENT** - An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid. A projected cash flow statement indicates whether the business will have cash to pay its expenses, loans, and make a profit. Cash flows can be calculated for any given period of time, normally done on a monthly basis. Also, one of the Five "Cs" evaluated in determining a loan applicant's credit-worthiness

**CAWBO - Contract Assistance for Women Business Owners** - The Office of Federal Contract Assistance for Women Business Owners (CAWBO) was established October 1, 2000, in the Office of Government Contracting at the U.S. Small Business Administration. The purpose of the office is to increase federal contracting opportunities for women-owned small business (WOSB) and to increase the number of WOSB that successfully compete in the federal marketplace.

**CDC - CERTIFIED DEVELOPMENT COMPANY** - The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private - sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area.

**CERTIFICATE OF COMPETENCY – COC -(SBA)** - A certificate issued by the Small Business Administration (SBA) stating that the holder is "responsible" (in terms of capability, competency, capacity, credit, integrity, perseverance, and tenacity) for the purpose of receiving and performing a specific government contract.

**CERTIFICATE OF DEPOSIT** - Short-term instruments issued by commercial banks.

**CERTIFICATION(s) or QUALIFICATION(s) REQUIREMENTS(s)** - "Certification" as a small business, as a socially and economically disadvantaged small business, as a woman-owned or veteran-owned business is required to be eligible for some SBA programs.

**CERTIFIED 8(a) FIRM-(SBA)** - A firm owned and operated by socially and economically disadvantaged individuals and eligible to receive federal contracts under the Small Business Administration's 8(a) Business Development Program.

**CHARACTER** - The degree to which a potential borrower feels a moral obligation to repay debts as evidenced by the borrower's credit and payment history. One of the "Five Cs" used in a lending officer's determination of a particular loan applicant's credit-worthiness.

**CHARGED OFF LOAN** - An uncollectible loan for which the principal and accrued interests were removed from the receivable accounts.

**CHARGE-OFF** - An accounting transaction removing an uncollectible balance from the active receivable accounts.

**CLOSED LOAN** - Any loan for which funds have been disbursed, and all required documentation has been executed, received and reviewed. For statistical purposes, first or total disbursement is counted as a closed loan.

**CLOSING** - Actions and procedures required to effect the documentation and disbursement of loan funds after the application has been approved, and the execution of all required documentation and its filing and recordation where required.

**CLP - CERTIFIED LENDER PROGRAM** – The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA. Certified lenders are those who have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround by the SBA on their applications (they may also use regular SBA loan processing). Certified lenders account for nearly a third of all SBA business loan guaranties.

**COC - Certificate of Competency-(SBA)** - The Certificate of Competency (COC) program allows a small business to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government contract on which it is the apparent low bidder. When the small business applies for a COC, SBA industrial and financial specialists conduct a detailed review of the firm's capabilities to perform on the contract. If the business demonstrates the ability to perform, the SBA issues a COC to the contracting officer requiring the award of that specific contract to the small business.

**COLLATERAL** - Something of value--securities, evidence of deposit or other property--pledged to support the repayment of an obligation. Also one of the Five "Cs" used in determining a loan applicant's credit worthiness.

**COLLECTION POLICY** - Actions a business takes to collect slow-paying accounts.

**COMMERCIAL PAPER** - Unsecured promissory notes of large corporations.

**COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM (CAIP) - (SBA)** - The United States Community Adjustment and Investment Program was created to help communities that suffered job losses due to changing trade patterns with Mexico and Canada following the North American Free Trade Agreement (NAFTA). The CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and encourages business development and expansion in impacted areas. Through the CAIP, credit is available to businesses in eligible communities to create new, sustainable jobs or to preserve existing jobs. The CAIP works with the SBA in both their 7(a) Loan Guarantee Program and 504 Program to reduce borrower costs and increase the availability of these proven business assistance programs.

**COMMUNITY EXPRESS-(SBA)** - Community Express is a pilot SBA loan program that was developed in collaboration with the National Community Reinvestment Coalition (NCRC) and its member organizations. Under the pilot, which is available to selected lenders, a SBAExpress like program will be offered to pre - designated geographic areas serving mostly New Markets small businesses. The program will also include technical and management assistance, which is designed to help increase the loan applicant's chances of success.

**COMPROMISE** - The settlement of a claim resulting from a defaulted loan for less than the full amount due. Compromise settlement is a procedure available for use only in instances where the government cannot collect the full amount due within a reasonable time, by enforced collection proceedings or where the cost of such proceedings would not justify such effort.

**CONDITIONS** - External factors such as government regulation, competition, industry trends, and national economic trends can affect the success of a business. One of the "Five Cs" of credit.

**CONSORTIUM** - A coalition of organizations, such as banks and corporations, set up to fund ventures requiring large capital resources.

**CONTINGENCY FUND** - Cash held for emergencies or unexpected outflows of funds. Also known as "Precautionary Balances."

**CONTRACT** - A mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them.

**CONTRACTING** - Purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes the description of supplies and services required, the selection and solicitation of sources, the preparation and award of contracts, and all phases of contract administration. It does not include grants or cooperative agreements.

**CONTRACTING OFFICER** - A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

**COPYRIGHT** - The legal right granted to authors, composers, artists and publishers to protect their thoughts and ideas for exclusive publication, reproduction, sale and distribution of their works. Some of the material on SBA's web site is copyrighted and it will be so stated in the document. If it is not Copyrighted we prefer that you link to our information rather than taking it and posting it on your site. Our information changes hourly and daily.

**CORPORATION** - A group of persons granted a state charter legally recognizing them as a separate entity having its own rights, privileges, and liabilities distinct from those of its members. The process of incorporating should be completed with the state's secretary of state or state corporate counsel and usually requires the services of an attorney.

**COSTS** - Money obligated for goods and services received during a given period of time, regardless of when ordered or whether paid for.

**COVENANT** - A prescription for action in a loan document.

**COVENANT NOT TO COMPETE** - The agreement by the seller of a business, not to enter into competition with the buyer of the business within a specific area for a specific period of time.

**CREDIT** - Time allowed for the payment of goods or services sold on trust as well as confidence in the buyer's ability and intention to fulfill their financial obligations.

**CREDIT PERIOD** - Length of time allowed before the credit buyer must pay for credit purchases.

**CREDIT POLICY** - Actions taken by a business to grant, monitor and collect the cash for outstanding accounts receivable.

**CREDIT RATING** - A grade assigned to a business concern to denote the net worth and credit standing to which the concern is entitled in the opinion of the rating agency as a result of its investigation.

**CURRENT ASSETS** - Money, inventory and equipment that will be used up in the short term -- usually within one year.

**DEBENTURE** - Debt instrument evidencing the holder's right to receive interest and principal installments from the named obligor. Applies to all forms of unsecured, long-term debt evidenced by a certificate of debt.

**DEBT CAPITAL** - Business financing that normally requires periodic interest payments and repayment of the principal within a specified time.

**DEBT FINANCING** - The provision of long term loans to small business concerns in exchange for debt securities or a note.

**DEBT TO TOTAL ASSETS RATIO** - Total debt divided by total assets.

**DEED OF TRUST** - A document under seal which, when delivered, transfers a present interest in property. May be held as collateral.

**DEFAULTS** - The nonpayment of principal and/or interest on the due date as provided by the terms and conditions of the note.

**DEFENSE CONTRACTOR** - Any person who enters into a contract with the United States for the production of material or for the performance of services for the national defense.

**DEFENSE LOAN AND TECHNICAL ASSISTANCE PROGRAM (DELTA) - (SBA)** - A joint effort of the United States Small Business Administration and the Department of Defense to provide financial and technical assistance to defense-dependent small businesses adversely affected by defense reductions.

**DEFERRED LOAN** - Loans whose principal and or interest installments are postponed for a specified period of time

**DEPRECIATION SCHEDULE** - An accounting procedure for determining the amount of value left in a piece of equipment.

**DISABLED** - The "disabled" are individuals whose physical or mental abilities prevent them from fully participating in normal activities and/or functions of living. The intended beneficiaries of The Americans with Disabilities Act (ADA). ADA gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

**DISASTER** - A disaster is a natural or human-caused occurrence causing vast destruction and distress. SBA's Disaster Loan Program offers financial assistance to those who are trying to rebuild their homes and businesses in the aftermath of a disaster. By offering low-interest loans, the SBA is committed to long-term recovery efforts. The agency does everything possible to meet the needs of those otherwise unable to put their lives back together.

**DISASTER AREA LOCATIONS** - Who to contact in the event of a declared Disaster regarding small business.

**DISASTER ASSISTANCE-(SBA)** - The purpose of the SBA's Disaster Loan Program is to offer financial assistance to those who are trying to rebuild their homes and businesses in the aftermath of a disaster. By offering low interest loans, the SBA is committed to long-term recovery efforts. The agency will do everything possible to meet the needs of those otherwise unable to put their lives back together.

**DISBURSEMENT** - The actual payout to borrower of loan funds, in whole or part. It may be concurrent with the closing, or follow it.

**DISBURSING OFFICER** - An employee authorized to pay out cash or issue checks in settlement of vouchers approved by a certifying officer.

**DISCLAIMER** - A statement regarding the responsibility and liability for website content and certain presenters, contractors, speakers, etc. Choosing "More..." at the end of this definition will lead you to SBA's Disclaimer Of Endorsement and Liability regarding the material in the upcoming viewing screens.

**DISCOUNT INTEREST RATE** - One in which the amount of interest is deducted from the face value of the loan with the borrower receiving the remainder.

**DIVESTITURE** - Change of ownership and/or control of a business from a majority (non-disadvantaged) to disadvantaged persons.

**DOT - SBA/DOT Certification Reciprocity for Disadvantaged Businesses** - The U.S. Small Business Administration (SBA) and the U.S. Department of Transportation (DOT) signed a memorandum of understanding that "reciprocally" streamlines the certification process for current and future 8(a) Business Development, Small Disadvantaged Business (SDB), and Disadvantaged Business Enterprise (DBE) program participants on Tuesday, November 23, 1999. In effect, this process will allow each agency to recognize the program certification of the other without duplicating paperwork. By streamlining certain procedures and requirements, it will reduce the burden on applicants. The agreement creates the start of a uniform application process for small disadvantaged business certification, reinventing the way the government does business with SDBs.

**DUNS - Data Universal Numbering System** - D&B's Data Universal Numbering System, the D&B D-U-N-S Number, has become the standard for keeping track of the world's businesses. The D&B D-U-N-S Number is D&B's distinctive nine digit identification sequence, which identifies information products and services originating exclusively through D&B. The D&B D-U-N-S Number is an internationally recognized common company identifier in EDI and global electronic commerce transactions. The world's most influential standards-setting organizations, more than 50 global, industry and trade associations, and the U.S. Federal Government recognize, recommend and/or require the D&B D-U-N-S Number.

**EARNING POWER** - The demonstrated ability of a business to earn a profit, over time, while following good accounting practices. When a business shows a reasonable profit on invested capital after fully maintaining the business property, appropriately compensating its owner and employees, servicing its obligations, and fully recognizing its costs, the business may be said to have demonstrated earning power. Demonstrated earning power is the foremost test of the business risk in pressing upon an application for a loan.

**EASEMENT** - A right or privilege that a person may have on another's land, as the right of a way or ingress or egress.

**E-BUSINESS INSTITUTE – SBA** - Knowledge is the most important asset small businesses will compete with in the 21st century. The E-Business Institute is a digital strategy for reaching new markets and training small business clients in a changing, global, 24/7 environment.

**EDI** - Electronic Data Interchange: Transmission of information between computers using highly standardized electronic versions of common business documents.

**EEOC - Equal Employment Opportunity Commission** - Small Business Information - The U.S. Equal Employment Opportunity Commission (EEOC) enforces the federal laws that prohibit employment discrimination on the basis of an individual's race, color, religion, sex, national origin, age, or disability.

**EFTPS - ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)** - Electronic Federal Tax Payment System provides an electronic system for paying federal taxes. The IRS replaced the current system of processing taxes in compliance with North American Free Trade Agreement (NAFTA) mandates, and now expedites the availability of funds and investment decision making information to the U.S. Treasury while providing flexible payment options to the business taxpayer.

**EMERGING SMALL BUSINESS** - A small business concern whose size is no greater than 50 percent of the numerical size standard applicable to the Standard Industrial Classification code assigned to a contracting opportunity.

**EMPLOYEES** - The number of employees of a firm is its average number of persons employed for each pay period over the firm's latest 12 months. Any person on the payroll must be included as one employee regardless of hour's worked or temporary status. The number of employees of a firm in business under 12 months is based on the average for each pay period it has been in business.

**ENTERPRISE** - Aggregation of all establishments owned by a parent company. An enterprise can consist of a single, independent establishment or it can include subsidiaries or other branch establishments under the same ownership and control.

**ENTREPRENEUR** - One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.

**EPA** - Environmental Protection Agency with laws and regulations as a major tool in protecting the Environment.

**EQUITY** - An accounting term used to describe the net investment of owners or stockholders in a business. Under the accounting equation, equity also represents the result of assets less liabilities.

**EQUITY FINANCING** - The provision of funds for capital or operating expenses in exchange for capital stock, stock purchase warrants and options in the business financed, without any guaranteed return, but with the opportunity to share in the company's profits. Equity financing includes long-term subordinated securities containing stock options and/or warrants. Utilized in SBIC financing activities.

**EQUITY PARTNERSHIP** - A limited partnership arrangement for providing start-up and seed capital to businesses.

**ESCROW ACCOUNTS** - Funds placed in trust with a third party, by a borrower for a specific purpose and to be delivered to the borrower only upon the fulfillment of certain conditions.

**ESTABLISHMENT** - A single-location business unit, which may be independent--called a single-establishment enterprise--or owned by a parent enterprise.

**FAIR AND REASONABLE PRICE** - A price that is fair to both parties, considering the agreed-upon conditions, promised quality, and timeliness of contract performance. "Fair and reasonable" price is subject to statutory and regulatory limitations.

**FAIR MARKET VALUE** - What a qualified buyer will pay for goods, services, or property.

**FINANCIAL FORECAST** - Projection of revenues and expenses for the next one to five years.

**FINANCIAL RATIOS** - Measures of capital, including debt to asset, current, and debt to worth. See individual definitions for "acid," "current," "quick" ratios.

**FINANCIAL REPORTS** - Reports commonly required from applicants request for financial assistance, e.g.: Balance Sheet -A report of the status of a firm's assets, liabilities and owner's equity at a given time.

**FINANCING** - New funds provided to a business, by either loans or purchase of debt securities or capital stock.

**FIVE "Cs" OF CREDIT** - A system used by lending officers to evaluate a loan application: Character, Cash Flow, Collateral, Capitalization and Conditions. See individual definitions.

**FIXED ASSETS** - Equipment, buildings, etc., which are purchased and used for long-term purposes.



**FIXED COSTS** - Costs of doing business such as rent, utilities, depreciation, taxes, etc., that remain generally the same regardless of the amount of sales of goods or services.

**FORECLOSURE** - The act by the mortgagee or trustee upon default, in the payment of interest or principal of a mortgage of enforcing payment of the debt by selling the underlying security.

**FORMS – IRS** - Internal Revenue Service (IRS) Forms

**FRANCHISING** - A continuing relationship in which the franchisor provides a licensed privilege to the franchisee to do business, and offers assistance in organizing, training, merchandising, marketing and managing in return for a consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees). The product, method or service being marketed is usually identified by the franchisor's brand name, and the holder of the privilege (franchisee) is often given exclusive access to a defined geographical area.

**FREEDOM OF INFORMATION ACT – FOIA** - The FOIA, enacted in 1966, generally provides that any person has a right of access to federal agency records. This right of access is enforceable in court except for those records that are protected from disclosure by the nine exemptions to the FOIA, which are discussed in the text.

**GOODWILL** - An intangible asset of a business that relates to a favorable relationship with customers, and excess earning power.

**GRANT** - Money given to a business that does not need to be repaid.

**GUARANTEED LOAN-(SBA)** - A loan made and serviced by a lending institution under agreement that a governmental agency will purchase the guaranteed portion if the borrower defaults.

**GUARANTY** - Promise by an individual or organization to repay a loan in the event of default.

**GUIDE TO SBA's DEFINITIONS OF SMALL BUSINESS-(SBA)** - The U. S. Small Business Administration (SBA) has prepared a guide to assist the general public in understanding SBA's definitions of a small business. They are termed "size standards," and represent the largest a firm can be and still be considered a small business. This guide provides general information on size standard requirements and also addresses most of the typical concerns of the public regarding the use of size standards.

**HAZARD INSURANCE** - Insurance required showing lender as loss payee covering certain risks on real and personal property used for securing loans.

**HUBZone** - Historically Underutilized Business Zones - Through the HUBzone Empowerment Contracting program federal contracting opportunities are provided for qualified small businesses located in distressed areas. Fostering the growth of these federal contractors as viable businesses, for the long term, helps to empower communities, create jobs, and attract private investment.

**INCOME STATEMENT** - Financial statement showing a company's sales, expense and net income or loss for a specific period of time.

**INDEPENDENT AND QUALIFIED PUBLIC ACCOUNTANTS** - Public accountants are independent when neither they nor any of their family has a material, direct or indirect financial interest in the borrower other than as an accountant. They are qualified, unless there is contrary evidence, when they are either (1) certified, licensed, or otherwise registered if so required by the state in which they work, or (2) have worked as a public accountant for at least five years and are accepted by SBA.

**INDUSTRY** - Concerns primarily engaged in the same kind of economic activity are classified in the same industry regardless of their types of ownership (such as sole proprietorship, partnership or corporation).

**INSOLVENCY** - The inability of a borrower to meet financial obligations as they mature, or having insufficient assets to pay legal debts.

**INSTALLMENT LOAN** - One in which the amount of interest is added to the principal and repaid by the borrower in equal periodic payments.

**INTEREST** - An amount paid a lender for the use of funds.

**INVENTORY** - Merchandise that is purchased and/or produced and stored for eventual sale.

**INVENTORY TURNOVER** - How often the inventory is sold and replenished over the course of a year.

**INVESTMENT BANKING** - Businesses specializing in the formation of capital. This is done by outright purchase and sale of securities offered by the issuer, standby underwriting or "best efforts selling."

**IRS** - Internal Revenue Service - with our link going to their publications and notices

**JOB DESCRIPTION** - A written statement listing the elements of a particular job or occupation, e.g., purpose, duties, equipment used, qualifications, training, physical and mental demands, working conditions, etc.

**JOINT VENTURE** - In a joint venture both firms share, in some proportion, the responsibility and the profits or loss on a contract. They are considered affiliated (see "Affiliates," above) for the purpose of that contract. Normally, the revenues or the employees of both firms are added together to determine the size of a joint venture.

**JUDGMENT** - Judicial determination of the existence of indebtedness, or other legal liability.

**LEASE** - A contract between the owner (lessor) and the tenant (lessee) stating the conditions under which the tenant may occupy or use real estate or equipment. Terms usually include a specific period of time and a predetermined rate.

**LEASE RATE** - The period rental payment to a lessor for the use of assets. It may also be considered as the implicit interest rate in minimum lease payments.

**LENDING INSTITUTION** - Any institution, including a commercial bank, savings and loan association, commercial finance company, or other lender qualified to participate with SBA in the making of loans.

**LESSEE** - The user of equipment or property being leased.

**LESSOR** - The party to a lease agreement who has legal or tax title to equipment or property, who grants the lessee the right to use the equipment or property for the lease term, and who is entitled to the rental fees.

**LIABILITY** - Debt owed by the company such as bank loans or accounts payable.

**LICENSE - BUSINESS REGISTRATION** - Businesses are licensed and registered at local and state levels of government. Each state has their own mechanism or criteria for obtaining licenses.

**LIEN** - A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.

**LINE OF CREDIT** - A short-term loan, usually less than one year.

**LIQUIDATION** - The disposal, at maximum prices, of the collateral securing a loan, and the voluntary and enforced collection of the remaining loan balance from the obligators and/or guarantors.

**LIQUIDATION VALUE** - The net value realizable in the sale (ordinarily a forced sale) of a business or a particular asset.

**LIQUID ASSETS** - Cash, checks and easily-convertible securities available to meet immediate and emergency needs.

**LITIGATION** - Refers to a loan in "liquidation status" which has been referred attorneys for legal action. Also: The practice of taking legal action through the judicial process.

**LOAN AGREEMENT** - Agreement to be executed by borrower, containing pertinent terms, conditions, covenants and restrictions.

**LOAN PAYOFF AMOUNT** - The total amount of money needed to meet a borrower's obligation on a loan. It is arrived at by accruing gross interest for one day and multiplying this figure by the number of days that exist between the date of the last repayment and the date on which the loan is to be completely paid off. This amount, known as accrued interest, is combined with the latest principal and escrow balances that are applicable to what is now referred to as the loan payoff amount. In the case where prepaid interest exceeds the accrued interest the latter is subtracted from the former and the difference is used to reduce the total amount owed.

**LONG TERM** - Period usually greater than one year.

**LOSS RATE** - A rate developed by comparing the ratio of total loans charged off to the total loans disbursed from inception of the program to the present date.

**MARKET** - The existing or potential buyers for specific goods or services.

**MARKET VALUE** - What a willing buyer will pay for goods, services, a property or a business.

**MARKETING** - The total of activities involved in the transfer of goods and services from the producer or seller to the consumer or buyer. Marketing activities may include buying, storing selling, advertising, pricing and promoting products.

**MATURITY** - The date on which a loan becomes due.

**MATURITY EXTENSIONS** - Extensions of payment beyond the original period established for repayment of a loan.

**MICROLOAN PROGRAM** - The MicroLoan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the NEGOTIATED GRIEVANCE PROCEDURE The sole and exclusive procedure available to all employees in a bargaining unit and the employer for processing grievances and disputes.

**MORTGAGE** - An instrument giving legal title to secure the repayment of a loan made by the mortgagee (lender). In legal contemplation there are two types: (1) title theory -operates as a transfer of the legal title of the property to the mortgagee, and (2) lien theory -creates a lien upon the property in favor of the mortgagee.

**NEGATIVE NET WORTH** - A business condition when total liabilities exceed total assets.

**NET WORTH** - Property owned (assets), minus debts and obligations owed (liabilities), is the owner's equity (net worth).

**NEW MARKETS VENTURE CAPITAL - NMVC-(SBA)** - The New Markets Venture Capital (NMVC) program is modeled after the Small Business Administration's extremely successful Small Business Investment Company (SBIC) program but has a specific mission of economic development in low-

income (LI) areas. Through a combination of equity-type financing and intensive operational assistance to smaller businesses located in LI areas, the program seeks to assist local entrepreneurs, create quality employment opportunities for residents and build wealth within these communities. SBA intends to achieve these public policy objectives through financial assistance to newly formed NMVC companies and to existing Specialized Small Business Investment Companies (SSBICs).

**NONMANUFACTURER** - For purposes of Federal government contracts, a firm that supplies a product it did not manufacture is termed a nonmanufacturer. To qualify for Federal government contracting, a nonmanufacturer must have 500 or fewer employees, be primarily in the wholesale or retail trade, and supply the product of a US small manufacturer. This requirement is called the "nonmanufacturer rule." This rule does not apply to supply contracts of \$25,000 or less that are processed under Simplified Acquisition Procedures. The requirement may also be waived through formal procedure by the Associate Administrator for Government Contracting if there is no small manufacturer in the Federal market for a class of products.

**NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)** - The North American Industry Classification System (NAICS) is replacing the U.S. Standard Industrial Classification (SIC) system. NAICS will reshape the way we view our changing economy. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America.

**NOTES AND ACCOUNTS RECEIVABLE** - A secured or unsecured receivable evidenced by a note or open account arising from activities involving liquidation and disposal of loan collateral.

**OBLIGATIONS** - Technically defined as "amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period." Also, another term for debt: money, merchandise or service owed to someone.

**OFFICE OF SMALL & DISADVANTAGED BUSINESS UTILIZATION (OSDBU) -(SBA)** - Federal Offices of Small and Disadvantaged Business Utilization (OSDBUs) offer small business information on procurement opportunities, guidance on procurement procedures, and identification of both prime and subcontracting opportunities.

**OHA - Office of Hearings and Appeals** - The Office of Hearings and Appeals, an independent office of the Small Business Administration (SBA or Agency). It is composed of two offices, the Office of Hearings and Appeals (OHA), and the Freedom of Information/Privacy Acts (FOI/PA) Office. The Small Business Administration established the Office of Hearings and Appeals (OHA) in 1983 to provide an independent, quasijudicial appeal of certain SBA program decisions. OHA succeeded the SBA Size Appeals Board. Over the years, the SBA has expanded OHA's mission.

**ORDERING COSTS** - Administrative costs of placing, tracking, shipping, receiving and paying for an order.

**OSHA (OCCUPATIONAL SAFETY & HEALTH ACT)** - To assure safe and healthful working conditions for working men and women; by authorizing enforcement of the standards developed under the Act; by assisting and encouraging the States in their efforts to assure safe and healthful working conditions; by providing for research, information, education, and training in the field of occupational safety and health; and for other purposes.

**OUTLAYS** - Net disbursements (cash payments in excess of cash receipts) for administrative expenses and for loans and related costs and expenses (e.g., gross disbursements for loans and expenses minus loan repayments, interest and fee income collected, and reimbursements received for services performed for other agencies).

**PARTNERING** - A mutually beneficial business-to-business relationship based on trust and commitment and that enhances the capabilities of both parties.

**PARTNERSHIP** - A legal relationship existing between two or more persons contractually associated as joint principals in a business.

**PATENT** - A patent secures to an inventor the exclusive right to make, use and sell an invention for 17 years. Inventors should contact the U.S. Department of Commerce Patent Office.

**PETTY CASH** - A small fund maintained for incidental expenses.

**PRECAUTIONARY BALANCES** - Cash held for emergencies or unexpected outflows of funds. Also known as "contingency fund."

**PREFERRED LENDER PROGRAM (PLP) - (SBA)** - The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA. Preferred lenders are chosen from among the SBA's best lenders and enjoy full delegation of lending authority in exchange for a lower rate of guaranty. This lending authority must be renewed at least every two years, and the lender's portfolio is examined by the SBA periodically. Preferred loans account for more than 10 percent of SBA loans.

**PRIME** - Program for Investment in Microentrepreneurs Act: The U.S. Small Business Administration plans to issue Federal grants awards to qualified organizations under PRIME to provide training and technical assistance to disadvantaged microentrepreneurs. These organizations include: non-profit microenterprise development organizations or programs; intermediaries; other microenterprise development organizations or programs that are accountable to a local community, working in conjunction with a State or local government or Indian tribe; or Indian tribes acting on their own, with proper certification that no other qualified organization exists within their jurisdiction.

**PRIME CONTRACT** - A contract awarded directly by the Federal government.

**PRIME RATE** - Interest rate which is charged business borrowers having the highest credit ratings, for short term borrowing. As published daily in the Wall Street Journal, it is the basis for rates to other lenders.

**PROFESSIONAL AND TRADE ASSOCIATIONS** - Non-profit, cooperative and voluntary organizations that are designed to help their members in dealing with problems of mutual interest. In many instances professional and trade associations enter into an agreement with SBA to provide volunteer counseling to the small business community.

**PROPRIETORSHIP** - The most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.

**QUICK RATIO** - Current assets less inventories divided by current liabilities. Also called "acid ratio."

**RATIO** - The ratio of current assets to liabilities. Also called "quick ratio."

**RETURN ON INVESTMENT** - The amount of profit (return) based on the amount of resources (funds) used to produce it. Also, the ability of a given investment to earn a return for its use.

**REVOLVING CREDIT ACCOUNT** - A formal line of credit offered to larger businesses in exchange for up-front fees and standard interest payments.

**SBA - Small Business Administration-(SBA)** - An independent agency of the federal government and not to be confused with Small Business Association or variations thereof. The U.S. Small Business Administration (SBA) was created by Congress in 1953 to help America's entrepreneurs form successful small enterprises. Today, SBA's program offices in every state offer financing, training and advocacy for small firms. These programs are delivered by SBA offices in every state, the District of

Columbia, the Virgin Islands and Puerto Rico. In addition, the SBA works with thousands of lending, educational and training institutions nationwide.

**SBA EXPORT EXPRESS-(SBA)** - SBA Export Express combines the SBA's small business lending assistance with its technical assistance programs to help small businesses that have traditionally had difficulty in obtaining adequate export financing. The pilot program is available throughout the country and is expected to run through September 30, 2005

**SBA Express** - The SBAExpress - Makes it easier and faster for lenders to provide small business loans of \$150,000 or less; allows lenders to use their own forms and processes to approve loans guaranteed by the U.S. Small Business Administration; provides a rapid response from the SBA - within 36 hours of receiving your complete application; lets lenders take advantage of electronic loan processing; and helps lenders provide smaller revolving loans.

**SBA LOAN** - The SBA enables its lending partners to provide financing to small businesses when funding is otherwise unavailable on reasonable terms by guaranteeing major portions of loans made to small businesses.

**SBA LOWDOC** - SBA LowDoc - streamlines the making of small business loans. The maximum loan-\$150,000. Calls for a response from the SBA within 36 hours of receiving a complete application. Guaranty percent follows 7(a) policy.

**SBIC - Small Business Investment Company** - Licensed by the Small Business Administration, SBICs are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses, both new and already established. Selecting More... will take you to the SBIC (Office of Investment) home page.

**SBIR CONTRACT - Small Business Innovative Research Contract** - A type of contract designed to foster technological innovation by small businesses with 500 or fewer employees. The SBIR contract program provides for a three-phased approach to research and development projects: technological feasibility and concept development; the primary research effort; and the conversion of the technology to a commercial application.

**SCORE-(SBA)** - SCORE is a 10,500-member volunteer association sponsored by the SBA. SCORE matches volunteer business-management counselors with present prospective small business owners in need of expert advice. The SCORE home page is located at <http://www.score.org>

**SECONDARY MARKET** - Entities who purchase an interest in a loan from an original lender, such as banks, institutional investors, insurance companies, credit unions and pension funds. There is an active secondary market in the loans guaranteed by the Small Business Administration. This market was created to increase the attractiveness of small business lending to the lending community. Through the market, lenders are able to sell the guaranteed portion n of SBA guaranteed loans to investors and thereby improve their liquidity and increase their yield on the unguaranteed portion of SBA loans. In addition, the secondary market provides a hedge against future liquidity problems because the guaranteed portion n of an SBA guaranteed portfolio may be readily sold by the lender. The market also allows a lender to meet the credit needs of a local small business community by importing capital from other parts of the country.

**SELLING A BUSINESS** - Selling a business is different than selling any other asset because a business is more than an income -earning asset -- it is a life-style as well. Therefore, the decision to sell can be emotional. Personal ambitions should be weighed against economic consequences in reaching a decision.

**SHORT TERM** - Period usually one year or less.

**SIMPLE INTEREST RATE LOAN** - One which provides the borrower the face value of the loan; the borrower repays the principal plus interest at maturity.

**SIZE STANDARDS** - The term "size standard" describes the numerical definition of a small business. In other words, a business is considered "small" if it meets or is below an established "size standard."

**SMALL BUSINESS** - A business smaller than a given size as measured by its employment, business receipts, or business assets.

**SMALL BUSINESS ACT** - Also see <http://www.sba.gov/library/lawroom.html>

**SMALL BUSINESS DEVELOPMENT CENTER (SBDC) - (SBA)** - The SBDC is a center for the delivery of joint government, academic and private sector services for the benefit of small business and the national welfare. It is committed to the development and productivity of business and the economy in specific geographical regions. (See locations at <http://www.sba.gov/gopher/Local-Information/Small-Business-Development-Centers/>).

**SMALL BUSINESS INVESTMENT ACT** - It is declared to be the policy of the Congress and the purpose of this Act to improve and stimulate the national economy in general and the small-business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply: Provided, however, That this policy shall be carried out in such manner as to insure the maximum participation of private financing sources.

**SMALL BUSINESS INVESTMENT COMPANY (SBIC) - (SBA)** - SBICs, licensed by the Small Business Administration, are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses, both new and already established.

**SMALL DISADVANTAGED BUSINESS (SDB)** - SBA certifies SDBs to make them eligible for special bidding benefits. SDBs are at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. This can include a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and whose management and daily business is controlled by one or more such individuals.

**SMALL DISADVANTAGED BUSINESS CONCERN** - A small business concern that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. This can include a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and whose management and daily business is controlled by one or more such individuals.

**SOLVENCY** - The financial ability to continue business.

**SOPs-(SBA)** - SBA Standard Operating Procedures.

**STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE** - A code representing a category within the Standard Industrial Classification System administered by the Statistical Policy Division of the U.S. Office of Management and Budget. The system was established to classify all industries in the US economy. A two-digit code designates each major industry group, which is coupled with a second two-digit code representing subcategories.

**STARTUP, or START UP or STARTUP KIT** - SBA maintains a generic startup kit and in many cases, startup kits for beginning a business in given states.

**SUBCONTRACT** - A contract between a prime contractor and a subcontractor to furnish supplies or services for the performance of a prime contract or subcontract.

**SURETY BOND** - A three-way agreement between a surety company, a contractor and the project owner. If the contractor fails to comply with the contract, the surety assumes responsibility and ensures that the project is completed. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$25,000 or more. Many state, county, city and private -sector projects require bonding as well. The SBA can guarantee bid, performance and payment bonds for contracts up to \$1.25 million for small businesses that cannot obtain bonds through regular commercial channels. Bonds may be obtained in two ways: prior approval-- contractors apply through a surety bonding agent. The guaranty goes to the surety; and preferred Sureties--preferred sureties are authorized by the SBA to issue, monitor and service bonds without prior SBA approval.

**TAX or TAXES** - The contribution required of persons, groups, or businesses within a governmental jurisdiction for the support of governmental programs. Springtime brings a flood of questions about State taxes. We have compiled a list of State sites and their specific tax rules and guidelines.

**TRADE NAME** - The term used to identify a company. Any type of business may call itself a company.

**TRADEMARK** - Words, names, symbols or devises, or any combination of these, used to identify the goods of a business and to distinguish these goods from the goods of others.

**TREASURY BILLS - T-Bills** - Short term obligations of the U.S. government.

**TURNOVER** - Turnover is the number of times that an average inventory of goods is sold during a fiscal year or some designated period. Care must be taken to ensure that the average inventory and net sales are both reduced to the same denominator; that is, divide inventory at cost into sales at cost into sales at cost or divide inventory at selling price into sales at selling price. The turnover when accurately computed, is one measure of the efficiency of a business.

**UNFAIR LABOR PRACTICE** - Action by either the employer or the union which violates the provisions of Executive Order 11491 as amended.

**UNIFORM COMMERCIAL CODE** - Codification of uniform laws concerning commercial transactions. In SBA parlance generally refers to a uniform method of recording and enforcing a security interest or charge upon existing or to be acquired personal property.

**VARIABLE COSTS** - Those costs of doing business such as cost of goods, shipping, handling and storage, sales commissions, etc., which are directly related to the sales of goods or services.

**VENTURE CAPITAL** - Money used to support new or unusual commercial undertakings; equity, risk or speculative capital. This funding is provided to new or existing firms that exhibit above -average growth rates, a significant potential for market expansion and the need for additional financing for business maintenance or expansion.

**WBC - Women's Business Centers or Women's Business Center** - Each women's business center provides assistance and/or training in finance, management, marketing, procurement and the Internet, as well addressing specialized topics such as home - based businesses, corporate executive downsizing and welfare -to-work. All provide individual business counseling and access to the SBA's programs and services; a number are also intermediaries for the SBA's MicroLoan and Loan Prequalification programs. Each WBC tailors its programs to the needs of its constituency; many offer programs and counseling in two or more languages. The following is contact information and a brief description of each WBC. Choosing More... will take you to a complete listing.

**WBOR - Women's Business Ownership Representatives** - Representatives in SBA offices to assist women business owners.

**WORKING CAPITAL** - Cash and short-term assets that can be used for current needs -- bills, etc.