

Funding help for business expansion

Elliott Schiller

Are you ready to take your business to the next level but don't have the finances available to do so? Perhaps you should consider the Canada Small Business Financing Program.

The Canada Small Business Financing Program makes it easier for small businesses to obtain loans from financial institutions because the government shares the risk. If you are either a start-up business or an existing for-profit small business and your gross annual revenues do not exceed \$5 million, then you might be eligible for loans up to a maximum of \$350,000 or \$500,000 (depending on usage) from this Industry Canada program.

The government shares in eligible losses after realizations on security. Its share of eligible losses for loans in default is 85%. This means, that in the worst of all situations, you will only have to pay back 15% of the loan. This is one of the most generous loss-sharing ratios for any currently active government program.

Of course, like all government programs, the funds must be used for certain expenses – and are prohibited from use for other business expenses.

For the purpose of obtaining up to \$350,000, the funds can be used for the purchase or improvement of equipment including business vehicles, and even for renovations to leased properties to purchase or improve commercial properties. If you intend to either purchase or make improvements to existing commercial properties, loans can be obtained for up to \$500,000. Among the items that the loans cannot be used for: finance working capital, inventory, labour or advertising.

Loan applications need to be presented directly to a participating chartered bank or credit union (“caisse populaire” in Quebec). That financial institution is responsible for approving the loan and developing a plan for paying it back. As always, you only have one chance to make a good first impression. So, prior to presenting your loan application, you need to be completely ready in every important area. The financial institution will expect a reasonable level of professionalism in your loan application before considering it for approval. You will need to prepare a business plan that addresses:

- Business strategy
- Marketing strategy
- Operational plan
- Cash flow analysis
- Strengths, weaknesses, opportunities and threats analysis
- Human resource plan
- Social responsibility plan
- E-business strategy
- Financial forecasts and other information
- Business exit strategy

Try to be optimistic, while at the same time remaining realistic. This is exceedingly important because your loan repayment schedule will be structured to some extent based on the cash flow analysis found within your business plan.



If you dramatically overstate your potential market, your revenue potential or understate your costs, you will quickly discover (once you are granted the loan based on these incorrect forecasts) that you will have trouble paying back a loan that anticipated a cash flow that was unrealistic.

One of my favourite lines in any song is “life is what happens to you while you're busy making other plans” (from John Lennon's song Beautiful Boy, aka Darling Boy, 1980). This is sometimes how I feel business works. We make a plan defining what our goals and objectives are for the next one to five years, and then along comes a customer or a potential customer with an opportunity that changes everything. It's important to bear this in mind when making your plan.

A good yet cautious rule of thumb is to assume that you will not be able to devote the amount of time and energy to the plan that you had originally hoped. On the other hand, if you understate your expectations, you may not get a banker to see the potential rainbow at the end of the project.

Finally, gather as much marketing intelligence as you can. Has this idea already come to fruition somewhere else in the world? Can you learn from that success or can you explain the failure and safeguard against it? Do your homework and be optimistic, but also be objective. The government is willing to share the risk. That's a great partner to have – one with deep pockets and with only the expectations that you outlined to them in the first place.

To learn more about this program, you can consult the Industry Canada website at www.ic.ca/csbfp and of course you can always contact the author by email at eschiller@teegerschiller.com or phone 1-888-816-0222, Ext. 102.

Elliott Schiller is a Director at Toronto's Teeger Schiller Inc., a company that specializes in obtaining government funding. His clients receive over \$5 million annually to support their ongoing business innovation. E-mail eschiller@teegerschiller.com or visit www.FundingHelp.ca.



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David Teeger

Director

David Teeger C.A., C.A. (S.A.) graduated as a Chartered Accountant in South Africa, and upon arrival in Canada he obtained his Canadian C.A. designation and joined Richter & Associates, a management consulting firm, where he concentrated his practice on various business sectors including household goods, fashion, automotive parts, public associations, and retail chains. He performed many roles in his 15 years at Richter, including managing the professional services organization in North America and all business operations throughout Europe.

David's professional capabilities include computer audits, feasibility studies, system analyses and assistance in the selection, negotiation and implementation of computerized solutions.

As a founding partner of Teeger Schiller Inc., he has focused his practice on consulting to management. His team of professionals has helped businesses select and successfully install a variety of ERP business solutions and add-on systems including business intelligence solutions to give new life to existing computer systems. David's clients not only rely on him to successfully manage the implementation of their new systems, but to manage the change that occurs in their organizations as a result of the use of these new tools.



Elliot Schiller

Director

Elliot Schiller, Ph.D., C.M.C. began his career as a Chemical Engineer working for Grumman Aircraft, in Long Island, New York. He obtained his Ph.D. at the University of Pittsburgh with funding from the U.S. Atomic Energy Commission, and, after being awarded a Presidential Fellowship, he went on to perform research and development activities at Brookhaven National Laboratory.

Since coming to Canada, he has primarily assisted consumer products and retail organizations in a variety of strategic management initiatives, traveling around the globe on behalf of his clients. In 1987, Elliot joined Richter & Associates, and it is here that he first met David Teeger.

As a founding partner of Teeger Schiller Inc., he has focused the SR&ED / Grant Division on obtaining grants and tax incentives for over 100 companies in the small to medium sized business sector. His team has provided services to the discrete / processing manufacturing, material development, textiles, apparel, automotive and computer sciences sectors. Annually, Teeger Schiller Inc. secures more than \$5 million in government funding to assist its clients in having their business initiatives supported by government funding.



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