

# SBA SMALL BUSINESS RESOURCE

U.S. SMALL BUSINESS ADMINISTRATION

NEW YORK

## Helping **SMALL** BUSINESSES

### Start, Grow and Succeed

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Financing Your Business



The SBA helps business owners grow and expand their businesses every day.



## SUCCESS STORY

### Oxygen Electronics

Owners: Mark Pasdon and  
Didier Bachamard

White Plains, NY— Having survived the almost virtual halt of international electronics shipments due to the stock market bubble-burst and the 9/11 attacks of 2001, the owners of Oxygen Electronics Corporation are breathing much easier these days.

Oxygen, a worldwide distributor of electronics, was "on oxygen" for a number of months due to the events that year. To make matters more difficult, the White Plains based company had, in the previous year, just built a 10,000 square-foot, state-of-the-art fulfillment center in Guilford, CT. Many industry competitors did not survive after 2001, but Oxygen's founding partners, Mark Pasdon and Didier Bachamard, were determined not to share the same fate.

Instead, they planned a three-prong approach to save their business. They took all the company's available capital and what would have been their salaries to open another office in France to generate additional sales; they expanded the scale and the scope of their IT systems; and they bought more inventory than usual to demonstrate to their customers that they were in it for the long haul. Of the effort Pasdon said, "It reminded me of when we started the business in 1995. It was like starting all over again."

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# Doing Business in New York

## THE NEW YORK DISTRICT OFFICE

The New York District Office is responsible for the delivery of the SBA's many programs and services. The District Director is Jose R. Sifontes. The District Office is located at 26 Federal Plaza, Room 3100, New York, NY. Office hours are from 8:30 AM until 5:00 PM, Monday through Friday.

## CONTACTING THE NEW YORK DISTRICT OFFICE

For program and service information, please contact the Marketing Division at (212) 264-9487.

## SERVICES AVAILABLE

Financial assistance for new or existing businesses through guaranteed loans made by area bank and non-bank lenders.

Free counseling, advice and information on starting, better operating or expanding a small business through the Service Corps of Retired Executives (SCORE), Small

Business Development Centers (SBDC) and Women's Business Centers (WBC). They also conduct training events throughout the district - some require a nominal registration fee.

Assistance to businesses owned and controlled by socially and economically disadvantaged individuals through the Business Development Program.

SBA aggressively markets its numerous programs to assist women business owners. Please contact the Marketing Division at (212) 264-9487.

Special loan programs are available for businesses involved in international trade. Please contact John Miller, International Trade Officer at (212) 264-7770.

A Veterans Affairs Officer is available to assist veterans. Please contact Frank Dito, Veterans Business Development Officer at (212) 264-2846.

Short-term loans and revolving lines of credit are also available through the SBA to help small businesses meet their short-term and cyclical working capital needs.

## STRUCTURE

Most loans are repaid with monthly payments of principal and interest. For fixed-rate loans the payments stay the same whereas for variable rate loans the lender can reestablish the payment amount when the interest rates change or at other intervals as negotiated with the borrower. Applicants can request that the lender establish the loan with interest-only payments during the start-up and expansion phases (when applicable) to allow the business time to generate the income to start repaying the loan. There are no balloon payments, call provisions or processing fees allowed on any 7(a) loan. The SBA will charge the borrower a prepayment fee if the loan has a maturity of 15 or more years and is pre-paid during the first three years.

## COLLATERAL

The SBA will not decline a request to guaranty a loan if the only unfavorable factor is insufficient collateral. However, SBA expects every loan to be fully secured. What these two policies mean is that every SBA loan is to

be secured by the available assets (both business and personal) which have a recovery value equal to the loan amount or until all assets have been pledged to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required.

## ELIGIBILITY

7(a) loan eligibility is based on four different factors. The first is size, as all loan recipients must be classified as "small" by SBA. The basic size standards are outlined below. A more in-depth listing of standards can be found at:

[http://www.sba.gov/services/contracting\\_opportunities/sizestandardstoc/index.html](http://www.sba.gov/services/contracting_opportunities/sizestandardstoc/index.html)

SBA Size Standards:

- Manufacturing  
from 500 to 1,500 employees
- Wholesaling  
100 employees
- Services  
from \$4.5 million to \$32.5 million in average annual receipts
- Retailing  
from \$6.5 million to \$26.5 million
- General construction  
from \$6.5 million to \$32 million
- Agriculture

from \$750,000 to \$16.5 million in average annual receipts

## Nature of Business

The second eligibility factor is based on the nature of the business and the process by which it generates income or the customers it serves. The SBA has general prohibitions against providing financial assistance to businesses involved in such activities as lending, speculating, investing, pyramid sales, loan packaging, presenting live performances of a prurient sexual nature, and businesses involved in gambling or any illegal activity. The SBA will also not support non-profit businesses, private clubs that limit membership on a basis other than capacity, businesses that promote a religion, businesses owned by individuals incarcerated or on probation or parole, municipalities, and situations where the business or its owners previously failed to repay an SBA loan.

## Use of Proceeds

The third eligibility factor is what the loan proceeds can and can not be used for. 7(a) proceeds can be used to: purchase machinery, equipment, fixtures, supplies, leasehold improvements, as well as land and/or buildings that will be occupied by the business borrower.

Proceeds can be used to:

- Expand or renovate facilities;

## SUCCESS STORY

## Owners of Oxygen Electronics Breathe Easier

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The strategy worked as the company has returned to profitability and growth adding warehouse space in Branford, CT and increasing staff in its UK office. "We have learned to navigate the planet electronically and physically," said Pasdon. "We have built client relationships on six continents and developed a loyal and energetic staff on two of them. In fact, we have met and exceeded the expectations of the most highly regarded European high-tech companies," added Pasdon.

The 18-employee company faced another big challenge this past year when it tried to secure the financing it needed to keep pace with its growth. "We were both astonished and frustrated to learn of the banking community's unwillingness to lend against our foreign accounts receivable in a traditional working capital line of credit, despite our extensive experience in managing and collecting foreign receivables," said Pasdon. As a last resort, Oxygen looked to the SBA's Export Working Capital Loan through M&T Bank.

Although colleagues cautioned the partners that an SBA loan was long, drawn-out, expensive and bureaucratic, they found the process to be anything but that. After closing on a loan for \$1.5 million Pasdon said, "The process, from beginning to end was amazingly simple and facilitated by a professional and entrepreneurial staff at the SBA & M&T Bank who were willing to understand the unique challenges associated with foreign receivables and our business." "In the end, the SBA and M&T Bank were able to get a deal done where other organizations could not or would not," he added.

With the growth and success of their company Pasdon and Bachamard also feel a sense of obligation to the labor forces around the globe that produce the electronic components they sell. They give generously to the International Federation of Red Cross and Red Crescent Societies. In fact, after the 2005 Tsunami, the company partnered with the local Westchester County Chapter of the Red Cross to marshal support and donations from the worldwide electronics community. Oxygen itself continues to make a donation to the societies for every purchase order it receives.

According to Pasdon, Oxygen is an example of how the reduction in telecommunication costs, the increased utilization of the internet, and the sheer number of people who have learned to speak English as a result of the internet has created a smaller more accessible world where American ingenuity can prosper. Add to those factors the innovative solutions provided by Fed Ex, UPS & DHL to enable small businesses to deliver nearly anything, nearly anywhere in a matter of days and it seems like more small businesses should consider exporting to increase market share and the bottom line.

The AeA (formerly the American Electronics Association), the nation's largest high-tech industry association, recently released its report, *Cyberstates 2006*. The report states that with \$9 billion of tech merchandise sold to the world in 2005, New York is the fourth largest cyberstate in the country. Now that Oxygen has caught its breath, maybe number three should be looking over its shoulder.