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DATE: February 18, 2012
TO: Janice Washington, State Director
FROM: Tracy Mancuso, Director
CC: Jeanne Swarthout, President
RE: 2011 SBA Annual Report

The following is the 2011 Annual Report for the Northland SBDC, in the required format, with some modifications to show goal progress and other activity. The Northland SBDC is served by our headquarters in Show Low which is manned by the Director, a part-time business analyst, a part-time training coordinator, and an office out of Springerville/Eagar area with a part-time business analyst. With 2 FTE staff, the NPC-SBDC center covers 9 NPC locations in Apache and Navajo County including two Indian Reservations.

0100 Advocacy

NPC-SBDC regularly participates in Chamber of Commerce events. The Director and Eagar area small business analyst attends the St Johns, Springerville-Eagar, Snowflake-Taylor, Show Low, Pinetop-Lakeside mixers and other events. For the Wallow Fire, the NPC-SBDC presented 2 public forums to determine the needs of small business owners impacted by the fire, and then organized a public event with a panel of resources to provide answers to those needs. Ten businesses were registered on the CCR database with the assistance of the Eagar SBDC counselor so that they could participate in B.A.E.R. clean-up project through the US Forest Service. The Director participates in the REAL AZ Corridor group. This group is formed by Apache and Navajo County economic development managers as well as all regional City and County Managers. The group contracted with a Branding/Marketing professional to develop a website(www.realazcorridor.com) The website serves as a starting point for business owners looking to relocate into Apache and/or Navajo County. The website provides a way to get ready information about regional real estate and resources. Business applicant information is shared among all communities. An aggressive marketing plan will has begun to seek out sustainable industries that will attract higher paying jobs to the area. An RBEG grant was received by Apache County in 2010 for \$68,000 in order to investigate the feasibility and cost to open a incubator in this area. The program is still being investigated due to sudden changes in committee chair people.

0200 Capital Formation

The Director regularly meets with local bankers to keep referral relationships alive, and interacts regularly with the SBA District Office. The SBA presented three loan workshops in the area in 2011. To date, the center has helped eight clients with their loan packages resulting in \$250,000 in new SBA loans and \$1.7 million dollars in conventional financing for a "non-owner occupied" RV Park

business. This is significant because, in 2008, most banks stopped lending on non-owner occupied business enterprises and SBA loans for start-up's were almost nonexistent as well.

0300 Innovation and Technology Transfer

We continue to work closely with the US Forest Products Lab who promote technology transfer to convert the old lumber industry into a restoration forest utilization industry.

0400 International Trade

Nothing noted

0500 Minority Business Development

The Director has met with several RBDO chapters on the Navajo Reservation and has presented three seminars on the topic of starting a business on the reservation. One event was co-sponsored by the US Park service and the Navajo Park Service to help guide businesses adjust to new regulations and fees enacted when the Navajo Park Service took over control of Canyon DeChelly from the federal government. Director worked with RBDO counselors in Chinle and Ft Defiance chapters to explain how to access Small Business University courses on-line. The Denny's restaurant that is planned in Chinle has been expanded to include a new 32 room motel. The Director helped the client with the loan package (to include construction costs). This package was submitted to Pinnacle Bank in Gallup New Mexico but was declined. The Navajo tribal leaders are considering direct financing of this project with tribal funds. On the Apache reservation, the Director meet with the Economic Development Manager to discuss ways to partner on various projects they have in progress including funds from the jobs bill grant.

As plans unfold for a new Navajo casino near Winslow, we will be challenged to support Native businesses in the areas of procurement and contracting, as a majority of construction services will be awarded to Native minority enterprises.

The Director worked with the CFO of the Navajo reservation on helping RBDO counselors better understand the underwriting process. The CFO developed a checklist to improve Navajo lending of BIA grant funds.

0600 Resource Development

As mentioned previously, the Director is a member of the Navajo County Regional Development Council and is working with this group to promote a regional branding strategy that will attract light industry to the area. The RACD provides the SBDC with several networking and referral opportunities. The Director has met with and has established relationships with all Bank lenders in the Region. In addition, the Director has established relationships with local CPA's to refer business owners to the SBDC to receive free financial score card analysis through Profit Cents product. These contacts will help to improve the centers access to higher impact clients. In return, help business owners have a better understanding of how to use financial reports as a way to more efficiently manage their business and improve profitability.

0700 Procurement

On June 13th, the SBA conducted a public training session on the topics of 8a and hubzone application renewal in Show Low. In addition, the SBA conducted a 2 hour session specifically for NPC-SBDC staff for professional development. The SBA was asked to conduct this session to renew expiring hubzone application for forestry businesses in Apache County. This session, however, was cancelled due to the Wallow Fire. The Apache County business analyst used the information she received at the professional development session to help 10 business owners obtain their DUNS numbers and sign up to do business on the Wallow Fire, B.A.E.R. fire clean-up project. A follow-up procurement session has been rescheduled for Apache County in March 2012.

0800 Special Emphasis Groups

We continue to provide services for a regional forestry program, which included involvement with Northern Arizona Wood Products Association, providing training and assisting with a workforce training grant program, monitoring industry performance and a baseline economic database, and attending and participating in a leadership role on their executive committee.

0900 Economic Development, Faith-Based, and Community Initiatives

We regularly participate with local Economic Development groups. We attend the monthly meetings for Navajo County Economic Development, and have assisted with presentations for the local Chambers of Commerce to show case various training events like Profit Mastery, Build a Website Workshop, Well Business Check-up, Small Business University on-line training and New Business start-up workshops. The Director participates in activities of the Navajo Nation Economic Development Dept. in Chinle and Window Rock areas.

1000 Research

Northland SBDC orders client research data from asbdc.net. This information has been shared and made available to other economic development entities in the region and is available for the RBEG incubator project.

1100 Other Activity

1200 Success Stories

On March 22, 2011, White River Construction was nominated and recognized as the NPC-SBDC small business award recipient for 2010. They were selected because they were one of the few commercial construction companies that survived the economic downturn in the area. The factors that lead to their survival was good management skills, expanding Native American and Government Contracting opportunities and using a variety of SBDC services as important resources in their tool box. The NPC-SBDC assisted small business owners on eight commercial loan packages. To date funding has been received on 2 SBA loans and conventional financing for 1 non-owner occupied business venture. This is a success story because funding of these types are very difficult to get approved by Bank's in a recessionary economy. The NPC-SBDC worked cooperatively with the

Eagar and Springerville City Managers to coordinate (2) Wallow Fire small business forums. This disaster recovery effort brought together local and regional resources in the form of SBA EIDL loans, local banks, Forest Service, Game and Fish, Frontier Communication, White Mountain Independent, NPC-SBDC (CCR registration), Apache County Emergency Management, Chambers of Commerce, the White Mountain Independent newspaper/website, White Mountain Partnership, and PPlusonline.com, as a way to provide short-term, long-term and marketing opportunity assistance to small business owners affected by the Wallow fire.

1300 Travel

The Director attended the Governors Rural Council of Governments and attended the National ASBDC network convention in San Diego, CA in September 2011.

1400 Problems

Staffing and Training issues. In August 2011, Gary Hanyzewski left the SBDC to pursue his nursing degree and Molly Pitts resigned in December 2011. Kellie Monterrosa was hired in December 2011 to replace Molly Pitts and has extensive education in Business Management. She also has her own business called "Money Minders" in the Springerville area and has been a life-long resident there. She will receive her PhD in Business Administration from the University of Phoenix in May 2012 and plans to come on-board as a full time business analyst. While her skills are excellent, it still takes apx 1-2 years before a new counselor is fully functional to meet the needs of the NE AZ region. In addition, Molly's resignation means that there is a gap in the Forest Products knowledge which was a large part of the Center's impact from 2008 – 2011. The director and counselors will be contacting these wood products businesses via forestry meetings and utilizing the government contracting programs and FedBizOps as a way to continue the work that Molly was doing with these high impact clients.

1500 Financial Reports

Submitted separately by State Office.

1600 Women-Owned Business

Nothing noted.

1700 Economic Impact

The following spreadsheet was created to give an overview of the impact that was generated in 2011 by 2FTE's at NPC SBDC in 11 cities in Apache and Navajo County.

NPC SBDC Economic Impact By City for 2011

City	Type	Jobs Created	Jobs Retained	Loan Apps Submitted	Loan Apps Obtained	Owner Capital Investment	Sales Increase
Alpine	Startups	1		50,000	50,000	22,000	
	Existing						
Concho	Startups	1				350	
	Existing						
Eagar	Startups	1				200	
	Existing	5				257,943	2,600,000
Gilbert	Startups						
	Existing			350,000	0		
Lakeside	Startups	66				60,000	
	Existing						
Pinetop	Startups	7		53,500		65,000	
	Existing						
Saint Michaels	Startups						
	Existing			1,400,000		0	11,177
Show Low	Startups	11	4			378,000	46,000
	Existing	3		2,520,000	1,270,000	1,288,000	1,326,500
Snowflake	Startups	2				151,000	
	Existing			160,000	160,000	10,000	
Springerville	Startups						
	Existing	1					
Vernon	Startups						
	Existing			20,000			
Totals		98	4	4,553,500	1,480,000	2,232,493	3,983,677

Client work has been brisk, with many small businesses looking at options for weathering the recession. The amount of startup inquiries is high, also, as many employees laid off or inactive due to construction activity are seeking to start businesses to continue a livelihood in the area. As a result, our involvement in loan packaging has taken an increase. In order to address the number of small business owners opening retail shops, the center contracted with "Retail Smart Guys" to conduct a 4 hour workshop in September 2011. The center actively called on new business owners to become SBDC clients and attend this workshop. The event had 42 attendees and requests from the group that this be an annual event. Our progress toward our goals has been steady but we are

still not 100% in terms of qualified personnel to make consistent contact with clients to achieve impact.

Our first quarter performance numbers and goals are shown below:

<u>Item</u>	<u>FYE 2011</u>	<u>2011 Goal</u>	<u>% of Goal</u>
Clients Counseled	73	n/a	
startups	15	24	65%
5+ hr relationships	93	52	56%
Long term relationships	82	44	54%
<u>Economic Impact</u>			
New Jobs	102	145	70%
Capital Formation \$000's	\$3,713	\$4,895	76%
Increased Sales \$000's	\$3,984	\$4,978	80%

1800 Veteran's Programs

Jim Pippert with the SBA Veteran's services workshops in the region on August 31st 2011. The BIT training coordinator contact veterans outreach services and posted flyers to get the word out more vigorously. There were still only 10 people who attended after significant marketing effort was made including color ads in 4 local and tribal newspapers. According to a January 2012 survey of SBDC clients, there was only 4% of our 1000 members who expressed an interest in knowing more about Veteran's programs. Many of the Vet's in this area are retired and are not interested in opening a business.

1900 Manufacturing

None Noted

2000 On-line Activity

The center is conducting more one-to-one counseling sessions via gotomeeting.com. Internet access and communication has improved on the Navajo reservation making on-line counseling a valuable tool to reach these remote locations. In 2012, the center will conduct it's first training events on Exporting and Branding with an option for people to attend these events via gotomeeting.com.