



MAY 2010 VOLUME XII, NUMBER 5

Small Business

FUNDING REPORT

Your Direct Route to Government Financing for Your Business

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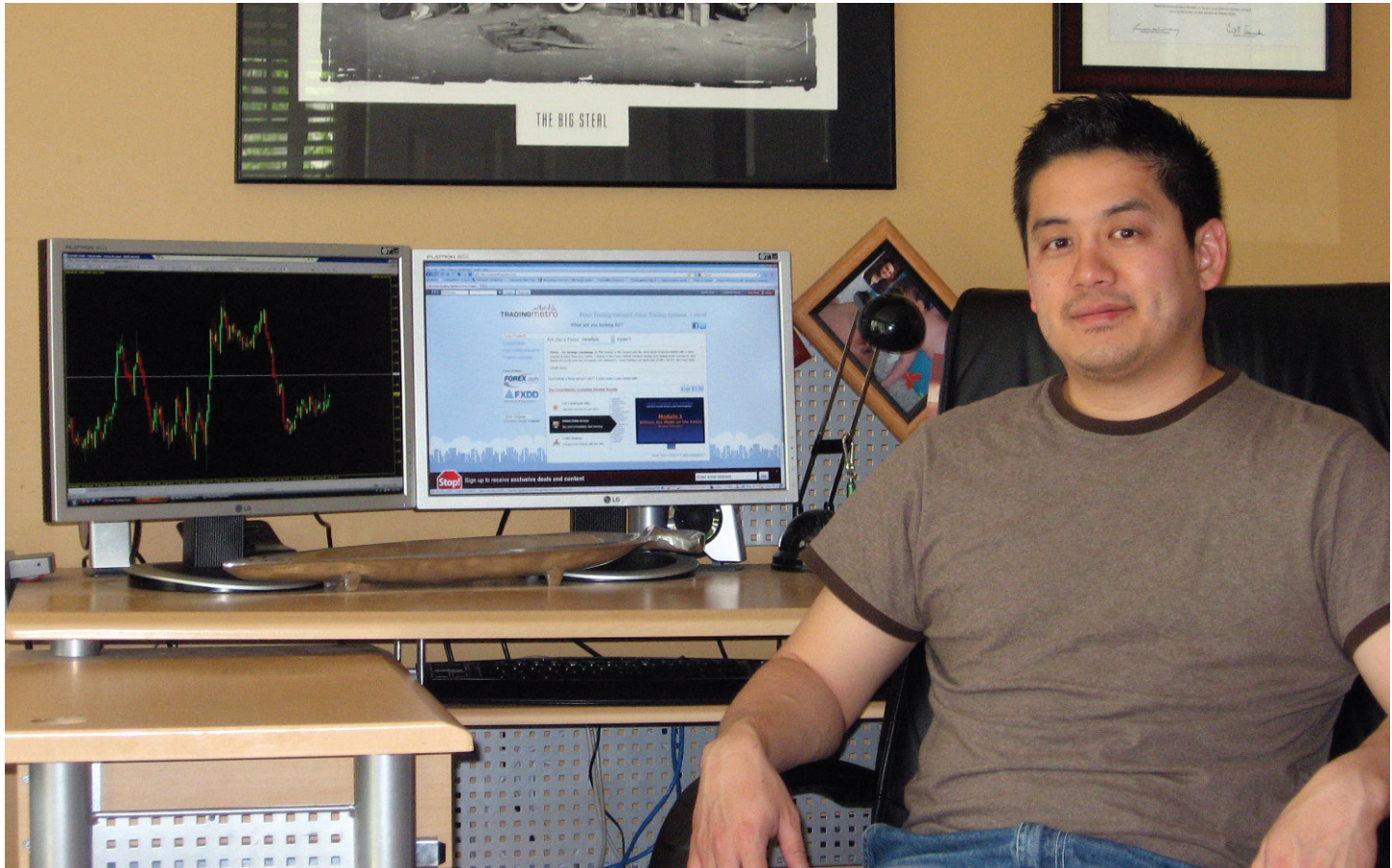
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Young entrepreneur taps into program which doubles the amount of government funding

If he were to do it all over, Samuel Araki would not have self-financed his Vancouver, B.C. start-up, TradingMetro. “I’ve been told that I’m crazy to have self-financed to this point,” he says. “I just thought I could grow it organically. But in order to grow, to scale up, to hire more people that could lessen the load on the rest of us, resources are paramount, and money is the most important resource at this point.” Better late than never, he says. Today, with the help of the Small Business Finance Centre, he has secured a \$15,000 Canadian Youth Business Foundation (CYBF) loan, and is waiting to hear about another \$15,000 loan from the Business Development Bank of Canada (BDC).

“One of the things I have learned from experience and from those that I trust around me, is the company can never have enough money,” says Araki.

“Some sort of outside financing is also kind of a validation of what you’re doing.”

His company, an online marketplace of foreign exchange (“forex”) trading solutions, launched an early version of its website last summer, and the company officially incorporated in October. But the idea has been two years in the making, and extends back to a serendipitous meeting he had in Vancouver six years ago.

Araki, who is from Vancouver, went south to Brigham Young University in Provo, Utah and got a degree in public relations. He and his wife, who’s also from Vancouver, continued to live there after he graduated, and he worked at various jobs in sports communications. They had no plans on returning to the city, until one day they got “a feeling” that it was time to head back. “We

just had the feeling that this is what we needed to do,” he says. “We packed up the U-Haul and we were here a week later.”

Araki had no job lined up in Vancouver, and he and his wife, who’s a 9-1-1 operator, considered buying his uncle’s downtown restaurant. Then he bumped into a man who worked in the online trading industry. He was looking for a communications person for his company, FX Trainer, which sold a training program to teach forex trading. Within three months, Araki had joined the company and he remained with it through an explosive growth period which ended, rather quickly, a little more than a year later. Araki understood what went wrong. “The best interests of each individual trader weren’t at the centre of things; it was more marketing focused, and it wasn’t trader focused.”



He and a couple of people from the company acquired its assets and launched a new firm – Trading Post Financial Services. But during the next couple of years, his vision of what he'd like to see from the company evolved – in a different path from that of his partners. “Both companies were selling their own courses. I thought there had to be a better way. There was always a churn in terms of clients, and you were always looking to market the product. Retention to me was something that was extremely important.”

He felt that the company should be working toward loyal customers, repeat sales, and repeat sales of increasing value. And he was already beginning to formulate in his mind the company that would become TradingMetro.

“I thought there's so many great trading solutions out there; why not bring them all together in one place?”

He uses the analogy that if you want to buy a large-screen television online, you don't go to the manufacturer's website. You go to a marketplace which brings together products from multiple manufacturers at multiple online retailers. “In the online trading industry, there isn't anything like that,” says Araki. “If you Googled ‘forex trading

course,’ you'll get all kinds of websites, each essentially selling their own stuff.” ForexMetro changes that.

The website offers trading courses, trading analytics, trading systems and other trading tools, such as charting packages and newsletters. “They're solutions that assist traders in trading better, more consistently, more profitably,” says Araki.

His company gets a percentage of every sale, and it earns additional revenue from advertising as well as from providing e-commerce solutions, delivery mechanisms, and other services for the site's partners, using the robust infrastructure ForexMetro is constantly developing. For example, recently it provided an online trading room service for a forex training company; the new solution integrated the trading room with the company's website, whereas before it was using two different systems, and users were forced to log in separately to each. ForexMetro earns an ongoing subscription rate for this service and can repackage the module for other clients.

When Araki recognized the need for outside financing, he contacted the Small Business Finance Centre, and he quickly connected with the CYBF last September. Now 35, Araki was 34 at the time,

which meant he was still within the eligible age group for funding. The CYBF provides financing for young entrepreneurs aged 18 to 34, along with business mentorship and advice.

While Araki says the CYBF is a “wonderful organization”, originally he faced some obstacles in getting the process going. Loan recipients work with mentors, who help the young entrepreneur prepare in order to get financed. Araki had a lot of trouble getting in contact with his mentor, so after three months, he went down to the office to find out what he should do. It was the right move. Brendan Cooper, of the CYBF, was quick to help him out. “He was tremendous with me. He told me exactly what I needed to do.” Araki followed the guidelines, and things moved forward. “I got back on the horse in early January. Everything went smoothly from there on in, and I got approved in March.”

The CYBF money needs to be earmarked for various projects, and Araki says it will help purchase and develop a shopping cart module that will enable TradingMetro to offer a branded cart to partners featured on the website. The money will also go toward search engine optimization and search engine marketing.

But that was just the beginning of his funding success. He was also able to secure an additional \$15,000 from the Business Development Bank of Canada (BDC) through the CYBF-BDC Start-Up Financing Program. Under this program, young entrepreneurs who have been approved for CYBF Start-Up financing (and meet other criteria) can apply to double their amount of financing.

Araki says launching ForexMetro has been challenging, but very rewarding. “There have been a lot of opportunities to fold up the tent and quit and go do something else. There's always something easier, but not necessarily something that would be better. Being an entrepreneur is not about taking the easy road, but about taking the road that you really believe in, and believe in after getting to know the industry. It's been hard, but it's been a lot of fun. I wouldn't have it any other way.” ♦

www.tradingmetro.com



Winnipeg entrepreneur cleans up with \$15,000 in federal financing

Non-toxic home cleaning company takes fresh approach to marketing

One morning in 2005, Andrea Barber woke up with the traces of a dream tantalizing her. She'd dreamt she was the owner of a cleaning company that offered non-toxic alternatives to our increasingly chemical and artificial environment. "And there were all these people who were working for me," she says. "And then I woke up and I thought, that's really neat. That's not a bad idea." She laughs at the memory.

But she couldn't shake the idea, and she decided to find out if there really might be a market for such a business. Barber is nothing if not thorough, and she immersed herself in research, began work on a business plan, and "read tons of books." The process took three years. It might seem like a long time when entrepreneurs often passionately, and rashly, jump on business ideas. But when she was done her research, she was as inspired as she'd been that morning after the dream. Today, a year into her new life as an entrepreneur,

Barber's business, Pure Cleaning Co., has attracted a number of clients and is poised to grow thanks to financing and guidance from the Canadian Youth Business Foundation (CYBF) and the Small Business Finance Centre.

Barber has a background in communications and advertising, and had worked for a number of years for the Alberta Women Entrepreneurs (AWE), a federally-funded non-profit which provides financing and advice. "I'd wanted to own a business for a long time," she says. "And I got some good exposure to entrepreneurs through working there, that's for sure."

With her plan for a company that cleans home the natural way, without the toxic residue left by most retail cleaning products, she now had a goal to work toward. The first tangible step, beyond planning, was to launch her website – which both promotes the home cleaning business and offers non-toxic clean-

ing products for sale. “I would say my website was the most crucial thing that I created,” she says.

She also began to spread word of mouth through friends and acquaintances – letting them know that she was launching Pure Cleaning. She bought natural, non-toxic supplies. And she called up her sister, Danielle Letkeman, who was living in Saskatoon. “I actually had her move from Saskatoon to help me start. I couldn’t afford to quit my job right away, and she did most of the start-up work for me, which was totally invaluable.”

Pure Cleaning offers a flexible home cleaning schedule to accommodate every client’s budget. And Barber’s company makes many of the products itself including a tub-and-tile cleaner made from baking soda, borax, vinegar, essential oil and pure soap. Her prices fall somewhere in the middle of the range for housecleaning services. “I did all my price checking as part of my research,” says Barber. “And I was actually pretty shocked at the costs of some services.”

With her careful planning and incremental ap-



proach, Barber was able to start the company on a shoestring – a few thousand dollars – and have it up and running with cleaning jobs paying the bills early on.

But she knew she needed some outside financing in order to grow the business quickly. Marketing, in particular, represented a big cost. “Getting a proper brochure created and printed can cost thousands,” she says. Her work at AWE had alerted her to the availability of government funding programs, and she turned to the Small Business Finance Centre for help in getting money to take Pure Cleaning to the next level.

Barber was a perfect candidate for financing from the CYBF. Funded by the federal government and supported by some provincial governments, the CYBF provides entrepreneurs under 35 with pre-launch coaching, business resources, mentoring – and start-up funding. Start-up loans are usually \$15,000, which is a welcome boost for any new business.

Barber said the process of applying to the CYBF and getting funding was easy, but suggests that the comprehensive business plan she’d spent all that time on was a big help. “They ask a lot of questions, and they want you to justify your business,” she says. “If you didn’t have a business plan, it

would be harder.”

In addition to the financing – which has helped her purchase a van, develop marketing materials, and outfit her four employees in uniforms – Barber found her CYBF mentor a source of invaluable advice. Spending time out on cleaning jobs was not the best use of her time, since it kept her from running and growing the company. Her mentor suggested she hire a part-time person to do quality control on jobs, visiting the

homes and making sure Pure Cleaning’s standards were met. That would free up Barber to focus on marketing the company and generating new business.

“Hands down, my biggest challenge has been finding time to focus on the business, and looking to the future,” she says. “And to enjoy having your own business is not just doing the day to day job, but moving it ahead. For a long time, I couldn’t see the light at the end of the tunnel, but that’s changing.”

She advises entrepreneurs to believe in their businesses. “Don’t let fear get in the way,” she says. ♦

www.purecleaning.ca



FROM A SMALL SUMMER STUDENT LOAN TO SUBSTANTIAL GOVERNMENT FUNDING

CARAQUET RESTAURANT TAPS INTO MARKET FOR JAPANESE FOOD

Michiko Takatsuka and her friend, Yan Rail, were students at the Université de Moncton when they decided to prepare sushi for the 2002 FestiVin de Caraquet. They quickly realized that Northern New Brunswick harboured a sizeable group of people with a yen for this Japanese delicacy.

“It was a big hit,” Takatsuka told the New Brunswick Department of Training and Employment Development (TED). “We realized that a lot of people were interested in sushi.” The next summer, the pair learned about the Student Entrepreneurship Program, offered through TED, and decided they could use it to start to tap into that hungry market. With a \$3,000 loan guaranteed by the government, they launched Mitchan Sushi during the summer of 2003. The loan helped them buy equipment, such as professional quality knives, rice cookers and a refrigerator. They also used the money for marketing their business and printing business cards.

Under the program, the government pays the interest on the loan during the summer, and if students repay the loan on time, they receive a rebate (essentially a grant) of one-third of the loan. That’s a big part of how the program helps young entrepreneurs. But there’s more.

“Yes, there’s financial support, but there’s also help with the whole process,” Takatsuka told TED. “They helped us develop our business plan.” They also learned how to handle administration and got tips on how to market the business.

With distribution to the local Co-op and to farmer’s markets in Tracadie and Bathurst, Mitchan Sushi was virtually an overnight success, and by the end of the summer Takatsuka knew what she wanted to do after she graduated. “My choice is to have my own business,” she told TED. “I love the variety.”

Fast-forward two years, and she was doing just that – and once again she was able to tap into government financing to help launch and grow her business. After an apprenticeship with a notable Japanese restaurant in Toronto, she headed back to the Acadian peninsula where she’d grown up to oversee the rebirth of Mitchan Sushi as a full-fledged restaurant.

This time, she contacted the local Community Futures office – CBDC Peninsule

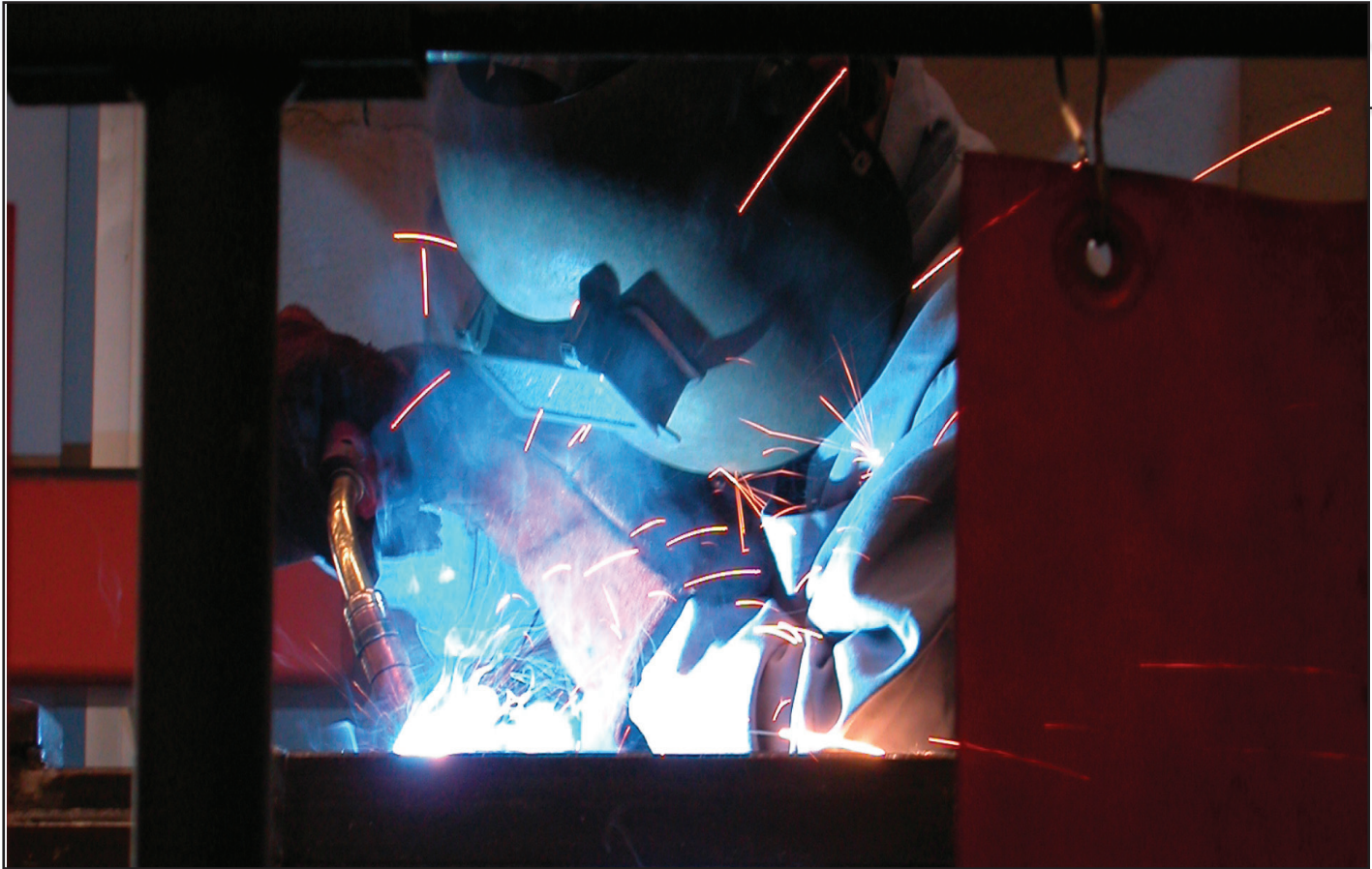


Acadienne – and presented her idea. “Not only were they receptive – they’ve been my main source of encouragement,” she told Marlene Oulton for the CBDC’s website. “They assisted me in arranging for a start-up loan, gave me sound business advice, and also provided me with additional business training courses so I would be better prepared to handle the full operation of my business... Without their initial and ongoing support, I definitely know I’d have had a tougher time opening my restaurant.”

Today, Mitchan Sushi is a popular Caraquet dining destination, and Takatsuka has realized those dreams that began with her first student-run business. ♦



ALBERTA WELDER GETS \$20,000 LOW-INTEREST GOVERNMENT GUARANTEED LOAN TO COMPLETE WELDING SHOP



Brian Schindel hadn't even considered going to his bank for financing when he needed to finish work on his new shop in Lac La Biche, Alberta. "We didn't want to go that route," he says. Even if he could get the loan, he felt the terms would be too onerous for his small business. Then he got in touch with the Small Business Finance Centre, who helped him arrange for a \$20,000 government-guaranteed loan through his local ATB Financial branch. "With the lower interest that was provided through this, and the guaranteed government thing, it was a lot more feasible for us," says Schindel.

For 30 Schindel has worked as a welder, first with other shops, and then, beginning about 15 years ago, on his own. With a truck-

INCREASES CAPABILITY TO HANDLE LARGE AND SMALL JOBS ONSITE



mounted welding rig, Venture Portable Welding can go pretty much anywhere to do onsite welding. His work includes larger jobs for companies such as Syncrude as well as smaller jobs for local farmers. To save money, farmers often prefer to drop off the equipment they need work on, and Schindel decided last year to build a welding shop so he could do the work more efficiently indoors. "That way, I don't have to go outside in the winter," he says with a laugh.

"I got it half up, and then the work slowed down up here," he says. "So I needed some extra money to finish the floor and the electrical." With help from the Small Business Finance Centre he discovered the benefits of financing under the Canadian Small Business Financing Program (CSBFP), as



well as the Alberta Commercial Loan Program. The CSBFP guarantees a significant portion of bank financing (on loans of up to \$500,000), which makes financial institutions more likely to provide financing to small businesses. Alberta's Commercial Loan Program is intended to help Alberta businesses obtain capital for expansion and maintenance (with loans of up to \$5 million and terms of up to 20 years), including renovating or expanding business premises or buying new equipment.

Schindel was able to apply through his bank, and he found the process remarkably easy. "We were there for a couple of hours for the initial meeting, and then we had to back once to finalize stuff," he says. He was required to show financial statements from the last two years and answer some questions about his business and his clients, but that was about it. In mid-March he was approved and got the \$20,000.

When we spoke, Schindel was getting quotes on the in-floor heating and expected to be moving ahead on the completing the 48' x 40' shop within a couple of weeks. In addition to giving him a professional working space for small jobs, he believes his new shop will give him a competitive advantage when it comes to getting more work from larger companies. "Right now, they got a lot of stuff done in Edmonton or Calgary, because there aren't really a lot of shops up here – just one little guy that I know of." ♦

\$1.3 million in provincial and federal funding helps millwork company expand

Charlottetown firm looking to increase export sales

Thanks to a combined investment by the Federal and Provincial governments, a Charlottetown cabinetry company is expanding operations to increase its production capacity. This expansion will allow Chandlers Cabinets and Millwork to broaden its reach to an international level.

The company has experienced considerable growth in recent years, both in annual sales and the scale of their projects. The expanded space and modernized equipment is necessary to accommodate the increasing demand for Chandlers's specialized products.

A provincial investment of \$1 million, from the Department of Innovation and Advanced Learning, will purchase real estate and new equipment. And an additional federal investment of \$300,000, through the ACOA's Business Development Program, will help purchase new equipment.

Chandlers uses the latest technologies and worker techniques to fabricate casework and millwork from the design stage all the way through to installation. The purchase of new equipment will allow for more automated production runs, which will decrease the amount of downtime for materials on the production line.

"The expansion means more than simply increasing our production lines," says Vice-President Mark Steele. "We strive to be at the forefront of technology and building methods, making design and manufacturing possibilities endless. This expansion will facilitate our efforts and allow us to cater to our international export markets."

As a member of Trade Team PEI, Chandlers has participated in numerous trade missions to the United States, Europe and the Caribbean. As a result of their expansion, the company is planning to increase their export efforts by further developing their position in international markets.

In operation for over 60 years, Chandlers began in 1946, offering specialized cabinetmaking and custom mouldings, providing products and services all across Prince Edward Island. More recently, Chandlers has branched into commercial casework and millwork. ♦

www.chandlersmillwork.com

Grant Update

NEW AND REVISED PROGRAMS OFFERING FUNDING FOR YOUR SMALL BUSINESS

Apply now for your share. Be the first to get funding from new programs. Our researchers keep you informed of the latest grants and low- or no-interest loans to help you grow your business.

CYBF SUCCESSION FINANCING PROGRAM

CANADIAN YOUTH BUSINESS FOUNDATION

OBJECTIVE	<ul style="list-style-type: none"> To provide financing to youth so that they can acquire an existing business
ELEGIBILITY	<p>Applicant must:</p> <ul style="list-style-type: none"> be between 18-34 years old be eligible to work in Canada (work permit holders not eligible) produce a complete and viable business plan hold at least 51% voting share in the business by the end of the 5th year agree to work with a mentor for a period of two years live in or operate the business in the community which offers the CYBF program have some training/experience related to their business idea pay \$50 loan administration fee and \$15 monthly administration fee
BENEFITS	<ul style="list-style-type: none"> Loans amortized over 3 years if loan is \$7,500 or less OR over 5 years for loans over \$7,500 Interest-only payments in the first year Principal repayments are made in equal monthly instalments together with interest, over the remaining two to four years, depending on the amount borrowed No penalty for early re-payment
CONTACT	<p>Canadian Youth Business Foundation 100 Adelaide Street West • Suite 1410 Toronto ON, M5H 1S3 • Tel: 1-800-464-2923 x.2118 http://www.cybf.ca/entrepreneurs/successionfinancing.php</p>

ENTREPRENEUR LOAN PROGRAM

FIRST PEOPLES ECONOMIC GROWTH FUND

OBJECTIVE	<ul style="list-style-type: none"> To assist First Nation entrepreneurs by providing capital and/or working capital through subordinated interest-free loans to act as equity that will enhance the applicant's ability to leverage financing from other institutions and agencies
ELEGIBILITY	<p>Applicant must:</p> <ul style="list-style-type: none"> be a Manitoba First Nation residing in Manitoba be over 18 years old contribute equity equal to a minimum of 5% of the total project costs have a sound business plan be employed by the business for a minimum of 20 hours/week
BENEFITS	<ul style="list-style-type: none"> Loans up to \$200,000 or 50% of the fair market value of the assets (including identified startup costs and working capital) identified in the project costs Loans are interest
CONTACT	<p>315-260 St. Mary Ave • Winnipeg, Manitoba • R3C 0M6 Phone: (204) 942-6026 • Toll Free: 1-888-942-6026 • Fax: (204) 942-6441 http://www.firstpeoplesfund.ca/entrepreneur_loan.php</p>

Your Business Growth Tool Kit



How to hire a manager to grow your business

Is it an inside job...
or do you need new blood?



As your company grows, you need to leave some of the day-to-day detail – the hands-on management – that occupied you in your early days. You need to free up time to look ahead and plan. Having a manager you can rely on is essential. In other issues we’ve discussed how you can get money to finance hiring employees for growth; this time, we’ll help you find that manager.

The major dilemma you’ll face is whether to look inside your company or outside. By promoting a trusted employee, you may be able to hire someone into a more entry-level position, which might open up your government funding options, but is it really the best route? Have a look at the arguments below and decide which more closely applies to your situation.

HOW TO HIRE FROM INSIDE

Four steps to a successful promotion

Don’t wait till the last minute to prepare yourself and your workers for company growth.

1. Invest in present employees through training and professional development.
2. Encourage cross-training – look for people that want to learn.
3. Take steps to prepare an employee for a job you anticipate down the road.
4. Finally, if you decide on an internal hire, give the new management recruit the support and mentorship he or she needs to arrive at their personal best. For instance:
 - Establish clear goals to prevent misunderstandings
 - Provide access to professional development courses and seminars
 - Be accessible and encourage feedback and discussion

HIRE FROM INSIDE!

- A new hire’s going to take ages – and valuable time – learning the ropes and the character of your company.
- Your current employees already know your company, your customers and competitors.
- Current employees look to promotion as an incentive to remain loyal to your company and its goals. Keep hiring from inside, and your company will attract performers drawn to opportunities for growth.
- If you hire from outside early in the game, you might end up spending more. It’s expensive to have managers who aren’t working to capacity.
- Outside promotion can dishearten and de-motivate your current employees, especially the strong contributors. They might even dig in their heels and sabotage the new person.

HIRE FROM OUTSIDE!

- Do you really have a current employee with the knowledge, skill and ability to take the company to the next level?
- Current employees might be stuck in their ways. New managers can bring an infusion of fresh ideas and perspectives.
- Internal hires can be tainted by internal political baggage – all those old rivalries and resentments.
- Inside recruitment could foster an inbred workforce, which can stunt growth.
- Current employees may have little management training and might take a long time to learn through a wasteful trial and error process.

Although there’s rarely a black and white solution, the majority of North American hiring experts do favour internal hires. Jeffrey Pfeffer, business professor and author of *The Human Equation: Building Profits by Putting People First*, is one .

“For companies that lack the talent internally, hiring from outside is obviously the only option. But it’s almost always better to promote from within.” ♦

TORONTO COMPANY WINS CLEAN TECHNOLOGY COMPETITION

PRIZE ADDS TO MILLIONS ALREADY RECEIVED IN GOVERNMENT FUNDING

Vive Nano has won the top prize in the Clean 15 Canadian clean technology competition. The company, whose primary focus is to be a world leader in the commercialization of nanotechnology-based products and materials for crop protection and catalyst applications, says its catalyst technology has several potential applications in clean technology including wastewater treatment, fuel cells, biofuels, fuel additives, solar cells, and water splitting.

To accelerate development, the company has recently been awarded government funding of \$7.8 M. This includes \$3.8 M from Sustainable Development Technology Canada (SDTC), an arm's-length, not-for-profit corporation created by the Government of Canada, for the construction and optimization of a pilot plant. The Clean 15 competition prize valued at over \$60,000 will give direct access to top targeted Global 500 executives at Yet2.com's exclusive Fortune 500 executive briefing. Access includes an exhibit table display, as well as the opportunity to present directly to executives seeking Vive Nano's clean technologies. Vive Nano will also receive approximately \$20,000 worth of product commercialization and channel development services from Drayton Weissenfels Inc with the focus on connecting them to sophisticated clients and buyers. ♦

www.vivenano.com



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