



California Association for Micro Enterprise Opportunity

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About

The California Association for Micro Enterprise Opportunity (CAMEO) is the statewide network of 130 groups, individuals and corporations dedicated to furthering Micro Enterprise development in our local communities.

The mission of CAMEO is to promote economic opportunity and community well-being through Micro Enterprise Development

CAMEO:

- Expands resources to provide business services and capital to micro business owners
- Promotes best practices and builds the capacity of nonprofit micro enterprise development organizations to serve more clients
- Builds public awareness of the economic impacts of micro enterprises
- Advocates at the state and federal level for public policies that support Micro Enterprise development in California



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The Sacramento Bee

SBA boosts loan ceiling in Sacramento area

By Darrell Smith
October 31, 2010

Microloans – small, short-term loans to small businesses – are getting a federal cash infusion that will give firms more access to the loans.

The federal government has pumped more money into the U.S. Small Business Administration's microloan program – some \$75 million from Congress in the last 18 months, said Jim O'Neal, the SBA's Sacramento director – and has boosted the amount firms can borrow from \$35,000 to \$50,000. The loans can be used for working capital or to buy inventory, supplies and equipment.

"We have businesses that were startups but are now established businesses. They need to hire and buy pieces of equipment," O'Neal said. "They're looking for another funding source and now it's available to a lot more people."

At Ginger Elizabeth on L Street in Sacramento's midtown last week, display cases were filled with croquant, brulée, rocher and macarons holding exotic flavors like lychee elderflower and grapefruit-fennel pollen caramel.

The heady aroma of dark chocolate hung in the air of the tiny boutique as a white-bloused cook prepared the bittersweet chocolate mousse that would form the filling of its specialty gianduja cakes.

A microloan in summer 2007 provided the boost Ginger Elizabeth and husband Tom Hahn needed to move from being a wholesaler to retail chocolatier. They used it to buy equipment to craft the

confections they sell and to develop a marketing plan to rebrand their image and reach a wider clientele.

"For us to do chocolate on a professional level, there was certain equipment we needed to buy," Hahn said Tuesday. The microloan "allowed us to bring the equipment into the shop; it was crucial in rebranding. Those were the biggest things it allowed us to do. It's hard to do unless you have your hands on money."

Microloans are primarily known for their role in helping businesses grow in the developing world, where an infusion of a few hundred dollars or even less can lift a budding entrepreneur's fortunes.

They're becoming a staple in the United States, too, as small businesses have turned to microloans during the downturn for help to open their doors, stay afloat or grow.

But in America, where startup, equipment and other costs are far higher, microloan amounts are usually measured in the tens of thousands of dollars. The average is about \$13,000, according to the SBA, and some are much higher.

"Banks are not making loans under \$100,000 anymore. When businesses are past their startup phase, there's a gap," said Claudia Viek, executive director of the California Association for Micro Enterprise Opportunity, or CAMEO. "If you need to finance a big contract or pay for finances and overhead, being able to get \$50,000 is a big help."

The San Francisco-based nonprofit group represents more than 140 microenterprise development organizations and microlenders statewide. The association saw demand for microloans rise last year. In its 2009 annual report, CAMEO reported its



member microlenders saw “a significant uptick in demand” for the smaller loans.

Locally, intermediaries like Auburn-based microlender Sierra Economic Development Corp., or SEDCorp, provide the loans through the SBA. The loans are not guaranteed by SBA, but SEDCorp borrows money from the agency, then makes loans to clients locally.

Raising the microloan ceiling to \$50,000 not only nods to the economic realities of inflation, startup and operating costs, said Brent Smith, SEDCorp’s executive director, but bridges the cash gap for numerous businesses that cannot qualify for larger loans.

“We’re already seeing loans going to help some that are in need,” said Smith, whose SEDCorp serves a mix of rural and urban businesses in an eight-county region where half the clients are Sacramento-area firms.

“This move by the SBA is very important,” he continued. “This change could make all the difference to that business owner who was trapped in the middle” between the previous ceiling and what they actually needed.

Today’s small-business owners have outlasted the worst of the recession: They’ve managed expenses and payroll, looked to what they can preserve and what they can live without.

They’re the survivors. But the capital crucial to their continued survival and potential growth remains elusive, as still-leery lenders hold tight to their cash.

Overall SBA lending plunged nearly two-thirds from 2007 to 2009, as the recession discouraged would-be entrepreneurs. But as banks continue to tighten lending, the demand for the smaller loans is growing, Viek said.

Data were not immediately available, but the SBA’s O’Neal estimated that small-business inquiries to his office about microloans have increased nearly a third from the same time last year.

The money is in place, but “we desperately need more lenders,” said O’Neal, who met Tuesday with state officials and others about growing the ranks.

Auburn’s SEDCorp is the only SBA-certified microlender in the region, O’Neal said. Since first issuing microloans in 1999, SEDCorp has issued 122 loans totaling more than \$4 million, SEDCorp officials reported.

Viek of the nonprofit CAMEO, said the microloans will not only aid those main street businesses struggling to survive, but can also pave the way for new hires and for jobless workers to join the world of entrepreneurship.

“There are unemployed people who want to start their own businesses,” Viek said. “There is a large, untapped pool of entrepreneurs who can bring innovation into the marketplace.”



San Francisco Chronicle

Candidates tackle state's biggest issue: jobs

By Carla Marinucci and Drew Joseph
August 8, 2010

With more than 2 million Californians out of work and the state's unemployment rate at more than 12 percent, candidates in the races for governor and U.S. Senate are under pressure to address "job one" - how they will produce jobs for a tarnished Golden State.

Republican gubernatorial candidate Meg Whitman, who has touted her experience as a job-creator as the former CEO of eBay, has announced a plan to create 500,000 jobs a year during her first four-year term.

But the fine print on Whitman's "road map" carries cautionary notes: The goal depends on "full implementation" of 17 policy components - from the specific ("eliminate state tax on capital gains") to the politically challenging ("review AB32") to the vague ("improve workplace flexibility," "end lawsuit abuse").

At the same time, Democratic candidate and state Attorney General Jerry Brown - whose campaign slogan is "Let's get California working again!" - has strongly supported AB32, the state's landmark climate change bill, as a means to create jobs. He also offered an eight-point Clean Energy Jobs Plan to attract 500,000 new jobs over the next decade.

Expanded plan

Today, Brown is releasing an expanded Jobs for California's Future Plan, which calls for work training programs, investing in education, cutting regulations, increasing incentives for manufacturing jobs and creating a "strike team" to retain

jobs and attract new jobs to the state.

His plan comes as the state Legislative Analyst's Office recently raised red flags about green jobs, saying implementation of AB32 could result in short-term job losses.

"There's a broad spectrum of jobs that neither of them is addressing," said Jorge Corralejo, CEO of the Latino Business Chamber of Greater Los Angeles, which represents tens of thousands of family-run shops and small employers in Southern California.

"Whitman is saying the same thing over and over again," he said. "And I'd like to hear what Jerry Brown is saying, but you have to really dig. He's got little or no campaign."

Tucker Bounds, a spokesman for Whitman, said she is "the most credible candidate on the economy (because she has a record of success)" at a Silicon Valley giant that includes creating tens of thousands of jobs and meeting a bottom line. Calling for more H-1B visas in high-tech sectors, modernizing workers' compensation and streamlining business permits, she has presented a way for the state to create good-paying jobs, he said.

Brown, on the other hand, "has a record on job creation in California - and that was 1.9 million jobs created when he was governor" from 1975 to 1983, said his spokesman, Clifford Sterling.

Recovery is vital

California's next governor may have little control over an issue that tops the agenda for state residents, said Bob Stern of the Center for Governmental Studies, a political think tank in Los Angeles. Creating significant numbers of jobs is "only possible if you have a recovery," he said.



“If the economy improves, the governor always claims credit,” Stern said. “And if the economy tanks, the governor says ‘It’s not my fault.’ “

Less than three months before the November election, proposals to reduce California’s unemployment lines have become clear lines of attack for Republicans and Democrats, because creating jobs encompasses issues from immigration to green technology, from outsourcing, tax cuts and regulatory reform to government spending on infrastructure and transportation.

The urgency of the jobs issue is also reflected in the U.S. Senate race, where Republican candidate Carly Fiorina and incumbent Barbara Boxer, a Democrat, have battled up and down the state.

Party-line splits

In both races, the party lines are sharply drawn: Republicans Whitman and Fiorina, two former CEOs, decry what they say has been California’s unfriendly business climate and call AB32 a job killer. They emphasize tax cuts and regulatory reforms to help small and large businesses and argue that they have direct experience creating jobs.

Democrats Brown and Boxer argue for green-tech and clean-energy jobs that they say represent California’s best hope for employment for decades to come.

They say their government experience is a plus. Brown said he put Californians to work in his two terms as governor as the state led the way in alternative energy. Boxer touts her efforts to secure funding and jobs for major projects such as BART extensions, and her co-authorship of legislation to give small businesses more access to credit, capital and tax advantages.

Whitman spokesman Darrel Ng said her jobs plan is a guide for creating as many as 2 million jobs. “Should it be blocked by interest groups at the Capitol,” he said, “she’ll prescribe other solutions to help create those jobs.” Brown’s newly released plan is a realistic formula for job growth, Sterling said.

Analysts gave mixed reviews to the candidates’ plans.

“We had lower capital gains taxes for eight years and we ended in a horrible recession,” Stephen Levy, the director of the Center for Continuing Study of the California Economy, said of Whitman’s call for capital gains tax cuts.

“I’m not saying the tax cuts caused the recession, but there was no time between 2000 and 2008 when there was a boom. We were just doing OK.”

But Jack Citrin, director of the Institute of Governmental Studies at UC Berkeley, said lower capital gains taxes spur investment, which in turn sustains job growth.

Claudia Viek, CEO of the California Association for Microenterprise Opportunity, a San Francisco group promoting small businesses, said all the candidates should back efforts to produce more immediate payoffs.

Among them: assistance to California’s army of self-employed entrepreneurs. For taco truck owners, cupcake bakers, child care providers and others, she said, studies have shown that relatively little capital, credit and training funding can produce big results.

“Instead of saying it’s too risky - or that they’ll go out of business - we should give them assistance or business development help,” Viek said. “Many of them will be successful, and they’ll create work for other people.”



What the candidates say about their job-creation plans

| | Barbara Boxer, incumbent U.S. Senator, Democrat | Carly Fiorina, Republican candidate, U.S. Senate | Jerry Brown, Democratic candidate, governor | Meg Whitman, Republican candidate, governor |
|----------------------------|---|---|--|---|
| Quote | “We have an opportunity to help our small businesses ... when the Senate takes up legislation that will give tax relief to small-business owners and get credit flowing again on Main Street. Supporting small businesses is critical to jump-starting our nation’s economic recovery.” | “Let me propose something that may seem crazy to you: You don’t need to pay for tax cuts. They pay for themselves if they are targeted, because they create jobs.” | “Investments in clean energy produce two to three times as many jobs per dollar as gas, oil or coal. And dollars invested in clean energy tend to stay in California, instead of going to other states or other countries.” | “California is the most difficult state in the country to do business. Regulation is strangling businesses of all sizes in California. Let’s stop the madness.” |
| Plans and positions | End tax breaks for companies that send jobs abroad; increase lending to small businesses and provide them easier access to credit; invest in clean-energy jobs; provide incentives to businesses that hire workers at home and to manufacturing and infrastructure; Wall Street reform. | Extending 2001 and 2003 federal income tax cuts, eliminating the estate tax and capital gains taxes on small-business investments; two-year payroll tax holiday for small businesses and startups hiring unemployed workers; and five-year tax holiday for startups and expansions. | Brown’s new Jobs for California’s Future Plan calls for the creation of 500,000 clean-energy jobs in the next decade by boosting renewable energy, cutting regulations, investing in education and infrastructure; job-retention “strike team”; incentives for manufacturing; workforce training programs. | Promises 2 million new jobs by 2015 with a “road map” calling for cuts in state tax on capital gains, small-business startup tax and factory tax; proposes suspending AB32; streamlining regulations; modernizing “antiquated and burdensome” labor laws; ending “lawsuit abuse.” |





| | Barbara Boxer, incumbent U.S. Senator, Democrat | Carly Fiorina, Republican candidate, U.S. Senate | Jerry Brown, Democratic candidate, governor | Meg Whitman, Republican candidate, governor |
|--------------------|--|---|--|---|
| Attack | Fiorina “was named one of the worst CEOs of all time and she was fired. She fired 30,000-plus workers and shipped their jobs to China. It’s a record that is not a good one. ... And I don’t think that people are going to think that’s a qualification.” | “The fact that Barbara Boxer attacks me for outsourcing jobs demonstrates that she has no idea what is going on in the 21st century economy. That’s why we need someone in Washington, D.C., who understands why jobs go and how to get them back.” | “Were I a CEO and someone said, ‘You know what, I’ve never been in this company, I never saw the product and I want to be a boss,’ I’d say, ‘Hey, why don’t you start at the bottom and work your way up?’ That’s the same way with government. You can’t wake up one morning and say, ‘Gee, I’ve got a billion dollars and I want to be governor.’” | “While Jerry Brown’s business is politics, my business is creating new jobs. It’s time for a different style of leadership. ... Failure seems to follow Jerry everywhere he goes. ... It’s a record of promising much and delivering little, of saying one thing and then doing another.” |
| Bottom Line | With concerns over the rising national debt, Boxer has to show that she has a sense of fiscal responsibility and will not promote spending to dig out of the jobs crunch in this recession. | Fiorina’s biggest challenge: addressing her record and her layoffs of thousands of workers while chief executive of Silicon Valley powerhouse Hewlett-Packard. | Brown released a clean-energy jobs plan but - months after Whitman - is only now offering a more detailed road map. He hasn’t discussed the proposals in detail and they don’t address minority businesses. | With 12 percent unemployment in the state, is Whitman’s plan for 2 million jobs feasible? And what are the potential effects of her call to trim the state payroll by 40,000 workers? |

San Francisco Chronicle

Microfinance groups help small businesses grow

By Tom Abate
August 4, 2010

Three years ago, Loretta Nguyen took a business training class and scraped together several thousand dollars to start silk screening T-shirts and hoodies that she initially sold at street fairs and over the Web.

Recently Nguyen moved her firm, Fiftyseven-thirtythree, into a storefront on Piedmont Avenue in Oakland, illustrating how microlending and training programs deliver great bang-per-buck when it comes to job creation, advocates say.

"I learned so much about how to put my plan into action," said Nguyen, 33, who took a training course through the Women's Initiative for Self-Employment, a Bay Area nonprofit that is one of a network of microfinance organizations that help people start businesses.

The Women's Initiative recently looked back at 2,600 clients who took 10 or more hours of business training between 2004 and 2008, and discovered that they had created 2,244 jobs - for themselves or for others - at a cost of a little over \$4,000 per job.

Hard work

About 15 percent of Women's Initiative clients also take out small loans in addition to training, but many graduates, like Nguyen, choose businesses that can grow through hard work.

At a time when job creation is a national priority, microfinance organizations are being recognized for the efficiency

with which they channel expertise and funds toward individuals with the self-discipline to become self-employed.

"We've been around for 20 or 30 years, but I think our time has emerged," said Claudia Viek, chief executive of the California Association for Micro Enterprise Opportunity, the San Francisco umbrella group representing 92 training and financing organizations statewide.

Viek said that for every 100 clients who take entrepreneurial training classes, a little over half actually start businesses and, of these, 80 percent make it through the first three to five years.

The U.S. microfinance movement earned kudos in March when the Aspen Institute, a think tank in Washington, released a study of 240 clients who had received loans and training from 35 groups nationwide between 2002 and 2007.

Study coordinator Elaine Edgcomb said Aspen found that the average client more than doubled their revenue - from \$103,000 to \$243,000 - while the average number of employees went from 2.1 to 5.6 within five years.

Many microfinance groups are also federally designated community development finance institutions - not banks, but nonprofit organizations chartered to lend money to borrowers without enough profit to support bank lending, such as making small-business loans of less than \$50,000.

Eric Weaver, chief executive of Opportunity Fund, a community development lender in San Jose, said microfinance groups have been hit hard by the recession. Banks - which enjoy federal incentives to work with community development lenders - have



been more reluctant to put money into risky loans to new businesses, at a time when most firms are struggling to stay afloat.

“We had defaults in the high teens,” Weaver said. “We’ve never been there before.”

Capital infusion

At this crucial juncture, Bank of America has stepped in to give microfinance lenders a capital infusion.

Dan Letendre, who runs Bank of America’s nationwide community development lending operation from his office in San Francisco, said eligible microlenders can borrow extremely cheap money from the Small Business Administration and, in rural areas, from the U.S. Department of Agriculture. They can use these federal funds to make microloans and provide the training that can make a big difference in outcomes.

But to access that federal cash, many microlenders must post a 15 percent loss reserve - setting aside \$150,000 of their own funds to borrow \$1 million from the feds.

Realizing that microlenders were leaving badly needed funds unused because they couldn’t meet this requirement, Bank of America is awarding up to \$10 million in grants that qualified groups can use as a loss reserve. Letendre said the grants will enable microlenders to borrow and loan up to \$100 million from the federal agencies.

‘Big help’

“This is going to be a big help,” said Jacob Singer, chief executive of Oakland Business Development Corp., which made about 60 loans last year averaging \$33,000.

The impact of this microfinance and training movement is evidenced by the success of entrepreneurs like Nguyen, who now works with her boyfriend and two part-time employees who do sales and sewing.

Bank of America estimates that its \$10 million grant could end up drawing enough money into microfinancing groups to help roughly 8,000 businesses create as many as 28,000 jobs over the next several years.



The Orange County Register

Life was the rehearsal for Irvine man's film

By Courtney Perkes
February 19, 2010

The ultimate anti-bully anthem – Twisted Sister's "We're Not Gonna Take It" – plays as the first film credit rolls across the screen.

"Written and directed by Tyler Norman"

Next week, Tyler's short feature "Spud" will premiere at a 600-seat Hollywood theater. In the comedy, a 12-year-old "terminal dweeb" freezes his sister's Barbie heads, never tires of playing Super Mario Brothers and endures relentless torment from his classmates whenever he walks out the front door.

Before Tyler, 25, ever made a movie, in a sense, he learned to write scripts, rehearse and direct himself. Not for the big screen, but to fit in socially on the playground.

"Spud" is set in 1988, right around the time when Tyler, who grew up in Irvine, was diagnosed with autism.

"He had to rehearse things," recalled his mother Debbie Norman. She urged him to notice "other people that you think are successful and watch what they're doing."

When he competed in his junior high spelling bee, he not only drilled words, but what to say to his opponent if he won.

"People's mouths dropped when he won and he was so gracious," Norman said. "It was just the best moment ever."

Tyler also coped by watching his favorite flicks.

"When I was younger and the world was not so nice to me, movies were my way out," he said.

In high school, Tyler turned his observing eye to filmmaking. After graduation, he studied film at Orange Coast College. His mom coaxed him to consider participating in Goodwill of Orange County's Microenterprise Program, which helps disabled adults start their own businesses.

"I thought it was a special ed program," he said.

But Cassandra Tobey, who manages Goodwill's program, convinced him otherwise.

"I reiterated, 'I'm not here to make you work at the grocery store and bag groceries. Tell me what you want to do,'" she said.

Make movies, Tyler replied.

Tobey, a former industry make up artist, approached producer Joey Travolta for advice. She and Tyler met with Travolta, brother of John, and founder of a school that teaches adults with developmental disabilities the skills needed to work in the movie industry.

Tyler showed him the documentary he made about fireworks and Travolta was impressed enough to turn Tyler's "Spud" script into a movie. Travolta's film students collaborated on the production.

"It's a film with an incredibly unique perspective," Travolta said in a statement about the premiere. "We expect a great turnout on March 4. The audience will be made up of various studio heads and production companies that are capable



of forming much-needed relationships for hiring our students for jobs, whether as interns or in a staff position.”

The movie was filmed in five days last year. Tyler helped with casting, cameras and props. He’s since officially started the Cerulean Film Company with help from Tobey.

In an industry where a thick skin can be as valuable as talent, Tyler has no problem making cold calls to promote his movie, seek funding or find other work. He doesn’t dwell on rejection.

“In Tyler’s case, I think some of his drive comes from autism,” Tobey said. “I truly believe his ability to hear ‘No’ and move on comes from the same place.”

Tyler’s younger sister, Lane, the inspiration for the destroyed Barbies in the movie, said she’s amazed by the quality of his work.

“My friends have been saying, ‘Your brother is so much cooler than you,’” Lane said.

Tyler still lives at home and when the movie played in his family’s living room, he was most excited about editing technique and how scenes were shot.

“I’m not a guy who wants to gloat about seeing my name up on the screen,” Tyler said. “It’s there because I made the movie.”



Fresno Bee

Microloans aid Lindsay's laid-off workers

By Lewis Griswold
March 20, 2010

LINDSAY – Thirty-three proud employees at the city-owned McDermont Field House – a three-story recreation center that draws people from miles around – were crushed when they received pink slips in a budget crunch late last year.

But this small town, which created the unusual facility at the site of a former packinghouse in 2008, has a history of finding creative responses to economic adversity.

Rather than sending the workers away, city officials invited them to stay – as entrepreneurs. And it offered them no-interest “microloans” to get started.

Nearly all of the laid-off workers jumped at the unusual opportunity to create their own jobs in the recreation center.

Joseph Sosa, 46, a laid-off manager, is seeking \$35,000 to start his eponymous “Cup of Joe” mobile coffee stand. His business plan research showed he has to sell 150 cups of coffee, cappuccino, mocha or tea each day on average to succeed.

“I think it’s very attainable,” Sosa said. “I’ve always been a go-getter.”

The 25 startup business ideas also include a pizzeria, chili dog eatery and sumo wrestling game, where wrestlers don fat suits. And there’s “Shoot the Freak,” a game in which players try to hit an employee wearing a mask and protective clothing and holding a shield – the Freak – with a paintball.

Experts seem intrigued by the Lindsay experiment. Microloans, used to help Third World families out of poverty, still are uncommon in the United States.

“This sounds like an interesting model,” said Eric Weaver, chief executive officer of the San Jose-based nonprofit Opportunity Fund, which makes microloans that average \$8,000. “You have a willing landlord for people to experiment with business ideas in a place that’s attracting a lot of people.”

“We’re seeing more movement toward self-employment as a labor market trend,” said Claudia Viek, chief executive officer of the California Association for Micro Enterprise Opportunity, an industry group for nonprofit lenders. “I really support what’s going on in Lindsay. I think it’s very innovative.”

But entrepreneurship is not for everybody, and at least one similar effort has failed, Viek said. During a military base closure in the Bay Area in the mid-1990s, employees were offered loans to start businesses, but only one person signed up, she said.

Lindsay City Manager Scot Townsend said the city was working on ways to put more recreational attractions inside McDermont, but at the same time layoffs of employees were inevitable to balance the center’s budget.

Townsend still was fretting about the layoffs while attending a recreational attractions trade show last fall in Las Vegas. But then he had a flash of insight in the middle of the night.

The city already was planning to set up a microloan program using a \$300,000 federal grant. Officials had been planning to make the loans available to



entrepreneurs who would bring in fresh attractions to the field house.

“I thought, ‘Why don’t I combine the two?’ “ Townsend said. “The pool [of loan applicants] ought to come from people being laid off. They understand the facility.

“We saw an opportunity,” said Assistant City Manager Kindon Meik. “It made economic sense to reduce our payroll costs and at the same time provide opportunities to employees who were tried and tested.”

The approach is creative enough that the Valley Small Business Development Corporation in Fresno, which manages microloan programs, wants to recommend it as an example of good economic development to a Sacramento policy group.

“It’s one way of retaining jobs by helping people create jobs,” said Stan Tom, vice president of marketing and business relationships at the corporation.

The McDermont Field House is a 172,000-square-foot recreation center, gym and entertainment venue. It has a wave-rider machine, skate park, two indoor soccer fields, basketball courts, climbing wall, tree house, party rooms, dance floor, video and arcade games, and a laser tag game. Lindsay has a population of just 11,700, but the 19-month-old center draws on average 1,300 customers daily from all over, including Fresno, said recreation director Brad Albert.

Laid-off employee Oak Jefferies, 24, hopes to start a retail store inside McDermont selling swim trunks and towels to people who forget to bring them and plans to open his store next to

the wave rider. He also will have T-shirts and other products.

The idea for the shop was sparked by comments he used to hear from McDermont customers who bemoaned their lack of swimwear.

“I look at it as a way to earn back our jobs,” Jefferies said. He is seeking a \$35,000 loan.

The city hopes to approve one or more microloans any day now; the goal is to have the first business open by the end of April.

Charles Loftin, 35, a laid-off security guard at McDermont, is teaming up with fellow laid-off employee Gary Babcock, 42.

They’re seeking \$35,000 each to buy a \$61,800 laser maze attraction; players navigate a maze of laser beams shooting in several directions inside an 8-by-20-foot room. The player who finishes the quickest without breaking a laser beam wins.

“I wouldn’t say I’m scared. I’d say I’m apprehensive,” Loftin said. But at the same time, he said, “I’m kind of excited.”

Both see starting their own business as a way to make a living and be in charge of key decisions.

“The private sector can do it better,” Babcock said.

Microloans, which are used worldwide, give entrepreneurs who can’t get money elsewhere a chance to get their businesses going.

The microloan movement started in Bangladesh in 1976 when economist Muhammad Yunus loaned \$27 to a group of women who couldn’t get a bank loan



for their bamboo-weaving business. The idea caught on worldwide – more than 154 million people have received microloans outside the U.S. – and Yunus was awarded the Nobel Peace Prize.

In the United States, the federal government and banks working with nonprofit groups supply money for microloans.

“You’ve got to have credit” to launch a business, said George Vozikis, a professor at Fresno State’s Craig School of Business.

Under some federal programs, \$35,000 is the maximum, and the businesses cannot employ more than five people, including the business owner.

Loan repayments go into a pool to be loaned out again. All revenues after expenses from the startup business must go to repay the microloan until the balance is zero, Meik said. After that, the business owner keeps the profits.

In the event of default, any equipment purchased serves as collateral.

But Lindsay officials are confident that the microloans will be repaid. The future proprietors must take a class in starting a business, submit a business plan and get approval from both the city and the state.

The default rate of microloans hovers around 5%, according to the California Association for Micro Enterprise Opportunity, although that has increased to 10% to 12% in the current recession.

Entrepreneurs need to be prepared for adverse business conditions – possibly the same conditions that led to their unemployment.

After William Van Ryn, the city building inspector in Firebaugh, got a layoff notice, he applied for a \$30,000 loan from the Small Business Administration and set himself up as an independent contractor. Now he’s doing the same job, only under contract.

But there hasn’t been a lot of new building in Firebaugh during the recession, and the same is true in other cities that might have hired him, Van Ryn said. He recently took a second job in the private sector to make ends meet.

“It’s very, very difficult right now,” Van Ryn said.



San Francisco Chronicle

Ramp Up Entrepreneurship Education, Training

Shufina English
November 22, 2009

California's unemployment rate is now officially 12.5 percent, but the real unemployment rate, including discouraged and part-time workers who want full-time jobs, is more than 20 percent. Members of the California Association for Micro Enterprise Opportunity report that in African American and Latino populations, the rate is closer to 30 percent. Where are the jobs, and how do we train and educate for them?

We believe that self-employment and micro-business is the labor trend of the future.

Data from the Small Business Administration show that rates of self-employment increased by 8 percent over each of the past two years - up from 4 percent per year during the previous five years. As in any downturn, many people turn to self-employment to supplement family income; they sharpen their skills, they network, they take risks and they pursue a dream of self-sufficiency.

For those with financial and emotional support networks, as well as the drive to succeed, the entrepreneurial path is a viable option and a positive alternative to job training. We believe that 5 percent of our state's unemployed are entrepreneurial in nature and could be successfully self-employed if supported with the tools, training and education.

California has an important infrastructure of nonprofit organizations

that focus on micro-business development. These organizations provide services ranging from technical assistance to financing for California's micro-businesses (businesses that have five or fewer employees and are capitalized with \$35,000 or less). Micro-businesses start small but can grow to be large enterprises.

The Department of Labor does not recognize self-employment as a labor market trend and does not fund these vital organizations. Millions of dollars from the American Recovery and Reinvestment Act have come to California for job training; a portion of these funds should be redirected to micro-enterprise development, today's labor trend. These additional funds will allow micro-development organizations to significantly scale up and offer their services to thousands of individuals across the state who, in turn, will develop sustainable businesses and hire more people. In fact, a self-employed business owner adds an average of two jobs within three to five years.

We can solve today's problem, but how should we think about the future? Recent articles in The Chronicle stress that this is the worst job market for college graduates in memory. How can we train our children for future jobs when we don't know what those jobs will be?

I believe it is time for a sea change in thinking about education. Young children often are naturally entrepreneurial in their play and actions. Somewhere along the way, as they proceed through their education, they stop thinking "I can create something" and become focused solely on satisfying the eligibility requirements for graduation and entrance to higher-level institutions.



We should challenge our educational institutions to develop an educated and entrepreneurial workforce. Public education should develop a statewide entrepreneurship initiative for our students that incorporates entrepreneurship training into our academic fabric. This would be based on creative, immersive entrepreneurial experience and would be appropriate for all students, from K-12 through the University of California system.

Professors could link their classes with innovative businesses so that students understand the exigencies of a successful business and can see themselves as contributing participants. Entrepreneurship or business-plan competitions at all education levels, mentor and alumni networks and improved facilities for prototyping, testing and other business start-up requirements will develop the skills required for successful self-employment and business ownership.

We should take to heart the words of William Butler Yeats, "Education is not the filling of a pail, but the lighting of a fire." Entrepreneurship is the heart of our economy. Let us celebrate and nurture this spirit.



Fresno Bee

Valley Businesses get Boost with Microloans

By Bethany Clough / The Fresno Bee
Published online on Nov. 16, 2009

A form of lending that usually benefits poor people in Third World countries is thriving in the Valley as small businesses struggle to find credit.

Increasingly, they are turning to microloans — a form of financing provided by nonprofit agencies rather than banks.

The model for microloans was developed in the Third World, where they have been used for decades to boost the fortunes of people who may earn less than \$1 a day. In the Valley, such loans are providing hope for business owners who have seen their credit cards and home-equity lines dry up.

The microloans often are less than \$35,000, an amount too small for many banks to consider. But that can be enough to help small businesses survive. The agencies that offer the loans are seeing a surge of interest.

The Central California Hispanic Chamber of Commerce has seen inquiries rise by up to 20% in the last two years. At the Fresno Area Hispanic Chamber of Commerce, applications for such loans have doubled to 20 a month since before the recession.

And the Fresno Community Development Financial Institution, a subsidiary of the Fresno Economic Opportunities Commission, recently expanded its microloan program to all businesses. It used to be just for refugee farmers.

In an effort to help businesses survive the economic downturn, President Barack Obama called for the cap on federally funded Small Business Administration microloans to be raised to \$50,000 last month. The loans are made through nonprofit organizations.

Such loans can give a significant boost to the local economy, said FCDFI loan officer Jeremy Hofer.

“It is about job creation and retention,” he said. “That money gets circulated into the economy, money that goes into these businesses to keep their doors open and to keep them expanding.”

Jay and Leah Lujan, owners of Fresno Tool Repair and Electric, had no other place to turn when they needed cash. Their business credit card company — which charges a 21% annual interest rate — cut their limit from \$18,000 to \$5,800.

Fresno Tool Repair, which repairs tools like jackhammers for construction companies, needed cash to complete jobs before it got paid for them, said Jay Lujan. It also needed new equipment, tools and a marketing campaign to expand the type of jobs it could take on.

The Lujans took out a \$20,000 loan that will be paid back over five years with an 8% interest rate from the FCDFI.

Lujan said the loan is the reason “we’re still open, even though things are tough [and] businesses are closing.”

Microloans got their start in Bangladesh as a way to alleviate poverty. More than 154 million people have received microloans outside the U.S.

Small loans for businesses have been around for years in the United States, mostly to serve startup businesses, said



Jeff Blythe, director of administration at the Microcredit Summit Campaign advocacy group.

That mission is changing amid hard economic times.

American banks typically won't touch such small loans, saying they're not cost-efficient for the amount of time spent on them, said Tim Rios, a senior vice president and community development manager at Wells Fargo, which has loaned \$2.3 million to nonprofits for microloans. Banks also like businesses to be at least two years old.

Microloans traditionally have a slightly higher default rate than commercial bank loans, but that is expected as the risk is higher, Rios said.

The money for microloans comes from banks and the federal government and is funneled through nonprofits that handle the paperwork. Banks usually loan the money at a low interest rate to nonprofits who lend it out at a higher rate. Government funds either need to be repaid or go back into a pool of money that is loaned to other businesses.

Sureewan Ly, owner of SL Alterations & Design, was turned away by Wells Fargo and Bank of America because her business was too young.

She has run her shop from a tiny storefront tucked behind a Shell station at Clinton Avenue and Fresno Street since March of last year.

Ly does alterations and makes outfits, mostly for Thai or Laotian customers who want skirts and tops made in traditional styles from brightly colored fabrics. She stumbled upon a niche: Customers wanted to buy the fabric she used, but had to drive to Los Angeles to find it.

Ly needed thousands of dollars up front to buy the bolts of fabric to sell in her shop. She found help through a \$17,000, five-year microloan with an 8% interest rate through the FCDFI.

"It's still going well," she said. "I don't see any shop like me."

Professionals in the microlending world say these types of loans are more important now as they expect small businesses to help pull the country out of the recession. Such businesses are credited with creating nearly two-thirds of new jobs in recent years.

The microloans use business owners' homes or business equipment as collateral.

Although more laid-off workers seeking loans to start their own businesses account for some of the increase in interest, existing businesses are applying in droves.

At the Fresno Area Hispanic Chamber of Commerce, 70% of applicants are existing businesses. Two years ago, start-up businesses outnumbered them, said Ana Medina, corporate relations director.

The Valley Small Business Development Corporation lends directly to business owners, but also funnels loan money through the chamber. Because existing businesses are more likely to have good credit than a person starting a business, lending through the corporation has shot up 83% when compared to this time last year, said Debbie Raven, the corporation's president and chief executive.

Not every business can qualify, however.

Hofer said his organization gets applicants looking for help with day-to-day expenses because their income has shrunk during the recession.



“That’s really hard for us to do,” he said.
“You can’t evaluate when they’re going to pick up.”

But others have jobs lined up and just need cash to do them, like Elias Ramirez, owner of E&A Plastering Company. His business applies stucco and plaster to walls, and it opened in February.

“We have to [have] money in the bank to pay my employees before my invoices come in,” he said.

He used a \$45,000, six-year loan to not only pay employees, but buy supplies up-front before payment from his customers came in. He’s been busy ever since.

The effect of these loans multiplies as the businesses spend money locally and hire employees, Rios said.

“These are people who would not have been approved elsewhere, who are creating jobs for others,” he said. “These loans are sustaining families behind them.”



American Banker

Viewpoint: Put Tarp Money to Work for Small Businesses

By Jorge Corralejo and Claudia Viek
October 23, 2009

Credit to small businesses has been substantially curtailed since 2008, yet these businesses are far more responsible for domestic job creation than the banking industry or corporate America as a whole.

The national unemployment rate is officially 9.8%. But the real unemployment rate, including discouraged and part-time workers who want full-time jobs, is moving closer to 20%, according to The New York Times and The Wall Street Journal. And for our nation's 91 million Latinos and African-Americans, the real unemployment rate in some states exceeds 30%.

To date, the secretary of the Treasury's solutions to the economic crisis have too often focused on assisting "too-big-to-fail" banking companies. Often, these are the banks that continually lay off workers and reduce credit opportunities for small and "micro" businesses.

Both our organizations, the Latino Business Chamber of Greater Los Angeles and California's microbusiness association, Cameo, have offered solutions that are more in tune with President Obama's focus on creating jobs. The Latino Business Chamber has proposed that up to \$100 billion of the \$134 billion in unused funds from the Troubled Asset Relief Program be allocated to assist small businesses that are likely to create millions of jobs and employ hundreds of thousands of recently laid off workers.

Cameo, on behalf of the 25,000 California microbusinesses it serves, has also urged that unused Tarp funds be allocated to fund loans of up to \$35,000 and for technical assistance and capacity building to benefit microbusinesses (one to five employees) that are likely to create jobs.

To date, the job training programs of the past and present have not prevented unemployment from rising. Some analysts believe that, without an alternative focus, the unemployment rate will continue to exceed our 5% prerecession rate for the next decade.

Job training programs in their conventional sense work best when the demand for labor is high and the supply low. As Alan Greenspan recently pointed out, 5.4 million workers have been unemployed for more than six months and are unlikely to move back into the traditional work force. For far less cost than conventional job training and with the probability of a higher success rate, the focus for the Obama administration should be on bolstering the ability of small businesses to grow and hire.

Before President Obama thinks about a second-round economic stimulus plan, he should consider tapping the unused Tarp money to fund small-business expansion.

Cameo, for example, has estimated that, for as little as \$15,000 per loan and \$3,000 in well-placed technical assistance and capacity building, many microbusinesses could hire at least one additional worker. If even 5% of the 24 million microbusinesses did so, we would create at least 1.2 million domestic jobs.



Many financial institutions have a commendable record of strong philanthropic support of microbusiness programs. This is because they have recognized these businesses' beneficial impact on both employment and inner-city stability. We would urge the secretary of the Treasury to bring together leaders of minority, women's and microbusiness associations, along with the leaders of the major financial institutions that have played roles in promoting the growth of microbusiness programs.

Recently, the administration decided to assist small and microbusinesses through a \$1 billion loan program, America's Recovery Capital, run by the Small Business Administration. This program was designed to provide government-guaranteed, no-interest loans of up to \$35,000, with repayment in five years. Unfortunately, financial institutions that appreciate its importance have failed to actively or effectively participate.

Their reason for not participating is not that they fail to see a need for such loans. Instead, many financial institutions that support small businesses believe the heavy paperwork burden makes even small, government-guaranteed loans a financial negative; they also note that the loans are not designed specifically to help their present customers or to attract and retain new ones.

We have been discussing with Congress the use of Tarp funds to directly aid small businesses in creating jobs and opportunities for a new group of entrepreneurs among the millions of unemployed workers, including those who have lost jobs in the financial industry. This could lead to the creation of hundreds of thousands of businesses and jobs.

Our conclusion is that many financial institutions, including those that have not yet returned their Tarp funds, would be pleased to be part of a Treasury-led effort that tapped unused or about to be repaid Tarp money. This would be a major boost to new entrepreneurs who, through self-employment and the creation of additional job opportunities, could help substantially reduce the unemployment rate. And imagine the indirect benefits to the banks, including a very substantial reduction in home foreclosures attributable to unemployment.

Jorge Corralejo is the chairman, chief executive and founder of the Latino Business Chamber of Greater Los Angeles. Claudia Viek is the chief executive of Cameo.



San Francisco Chronicle

Microloans, training boost entrepreneurs

By Tom Abate/Staff Writer
October 12, 2009

Jaime Dobson is making glass jewelry. Asia Gilmore plans to open a unisex clothing boutique. Kirstin Dau wants to operate a gourmet food truck.

The three women were among 25 recent graduates of an 11-week business training program at the Mission Cultural Center in San Francisco.

"It's sort of like a mini MBA program," said instructor Nika Quirk, who ran the course for the Women's Initiative for Self-Employment, one of several Bay Area groups in the field of microfinance and small-business training. Other Bay Area microlenders include TMC Development Working Solutions and Opportunity Fund.

Microfinance is the practice of making small loans, normally from \$500 to \$35,000, to help start or expand small businesses. Microlenders generally make loans to people from low-income or disadvantaged groups.

Quirk's group has special programs for Spanish speakers but serves women from varied backgrounds. Over the past 18 months, the organization has made 170 loans totaling \$340,000, for an average of \$2,000 each.

Women's Initiative will make another 10 small loans this month, but none of the 25 graduates of its most recent training class got funded. With more demand for funding than money to lend, the group helps aspiring entrepreneurs write business plans that assume borrowing will be difficult.

"About 70 to 80 percent of the grads I get are self-funded," Quirk said. "I help them to design a phased launch that starts small so they can build assets and apply those assets to grow."

For example, Dobson said she is working as a personal caregiver while she gets her glass jewelry business off the ground.

Gilmore plans to market her unisex clothing line with a series of by-invitation parties, using Facebook and Twitter to build a clientele before she opens a storefront perhaps a year from now.

Dau waits tables at a restaurant while she and two partners use the business plan she created during the training class to shop for the \$25,000 they will need to create a food cart serving the cuisine of the Ottoman Empire.

Nancy Charraga went through the Women's Initiative program six years ago. The proprietor of Casa Bonampak, a folk arts crafts store in the Mission District, Charraga had been self-employed for seven years when she took the training, looking for expertise rather than money.

"It helped me focus on fine-tuning my business," said Charraga, who ran the retail store with one other person at the time. She has since expanded into wholesale and online retailing through her Web site, MexEvents.com, and employs four people.

Sometimes training isn't enough.

Vivienne Fleischer co-founded the Oakland business Performance Based Ergonomics in 1999, but she and associate Andrew Blumenfeld struggled to make a go of it until they got a \$25,000 microfinance loan in 2007.



“That little seed money went a long way,” Fleischer said, allowing them to hire people to do some of the work while they found more clients. The company has since expanded from four to seven employees.

Fleischer obtained her loan from TMC Development Working Solutions in San Francisco. TMC executive director Emily Gasner said her organization made 11 loans last year averaging \$25,000.

In the coming year, she expects the group to make twice as many similar-size loans. TMC has one fund dedicated to San Francisco businesses and another for making loans in the nine-county Bay Area. Gasner said most borrowers are either low-income themselves or create jobs for low-income people.

Eric Weaver, chief executive of Opportunity Fund, said last year the group made 150 loans, totaling just over \$1 million, a little less than \$7,000 on average. The median family income of borrowers is \$30,000.

Weaver said the fund has started working with Kiva.org, the microfinance Web site, to make more money available as demand soars.

“We now field 10 to 20 inquiries before we make a loan,” he said. “It used to be five to 10.”

Claudia Viek, chief executive of the California Association for Micro Enterprise Opportunity, an umbrella organization for microlenders, said small-business owners who used to finance through home equity loans or credit cards have increasingly sought to tap this nontraditional funding source.

“It’s not just the poor - it’s the middle class that needs help,” Viek said.

Small loans

Microfinance lenders generally help low-income people start or expand businesses. The California Association for Micro Enterprise Opportunity helps find microfinance lenders and small-business assistance.



The Sacramento Bee

The Conversation: Micro business provides one answer to problem of underemployment

By Claudia Viek
August. 9, 2009

Californians are hurting. Lost jobs, lost hours, lost wages and lost investments are stealing away dreams.

But what they are finding out about themselves can change California's economy.

To make ends meet, more and more Californians are turning to local opportunities to sell their own personal goods or services.

The recently unemployed, having grown weary of the job market, are launching their own micro businesses – businesses employing five or fewer and started with \$35,000 or less.

Underemployed people, including baby boomers hard hit by the stock market, are starting micro businesses to support their families and rebuild their retirement plans.

With the CalWORKs and Healthy Families safety nets under siege, people in need have been left with no other option than to become entrepreneurs overnight.

In addition to offering income opportunities, micro businesses help transform local communities. In cities where individual livelihoods depend on local business relationships, poverty goes down, civic participation increases and there is greater commitment to the community's quality of life.

This is the message micro business owners and micro enterprise assistance providers sent to the governor and Legislature during California Micro Enterprise Month in July.

Micro enterprise doesn't grab headlines.

In fact, it wasn't popularized until 2006, when Muhammad Yunus won a Nobel Peace Prize for his work providing credit to entrepreneurs in poor countries like his native Bangladesh.

But now millions of working people, or people able to work, in California are engaging in micro enterprise. It's a trend born from necessity.

The California Association for Micro Enterprise Opportunity recently performed an estimate of the demand for micro enterprise assistance and microfinance among California entrepreneurs.

The results are dramatic. With an additional statewide investment of \$150 million, local nonprofit micro enterprise development organizations throughout California could serve more than 100,000 clients over the next 24 months with technical assistance and capacity building.

With an additional investment of \$49 million, 6,500 micro loans could be made for amounts averaging \$15,000.

Tens of thousands of jobs could be created.

Throughout this economic crisis, nonprofit micro lenders and business assistance programs have quietly become front-line defense for entrepreneurs and micro businesses in our communities.



Financial institutions and small businesses alike are turning to micro enterprise nonprofits for services to weather the recession.

For banks such as Merrill Lynch and Wells Fargo, both of which recently invested millions of dollars in micro financing and business assistance, micro enterprise development organizations provide an orderly and safe way to get credit flowing to small business again.

Entrepreneurs look to micro enterprise assistance to help overcome obstacles to long-term success, such as inadequate financing, poor management of cash flow and budgets, ineffective marketing, and hiring and employment complexities.

The state's unemployment rate recently hit 11 percent (25 percent or more in rural areas and among African Americans and Latinos); 211,000 people have been unemployed for a year or more and 1.5 million Californians are now jobless.

The governor and Legislature recently demonstrated they understand the importance of micro enterprise in rolling back these numbers.

Last year, the California Senate Office of Research released a policy brief on micro enterprise in California. It found that since 2000, micro businesses in California created six times more net jobs than those created by the state's larger businesses.

In January, the Legislature passed a \$3,000 tax credit for small-business owners to deduct each time they hire a full-time employee.

There is more Sacramento can do, such as allowing the Workforce Investment Board to use federal stimulus funds for desperately needed small-business training and technical assistance.

But in the months and years to come, Sacramento must adapt just like the people and give micro enterprise a permanent role in California's economic policy. This can be accomplished, in part, by establishing an Office of Micro Enterprise Development within the Business Transportation and Housing Department.

That office could spearhead legislative and administrative efforts to provide access to capital for micro loans and micro enterprise assistance.

The good news in California today is that the state's economic transformation and the emergence of micro enterprise together can lead to healthier communities and greater opportunities for all Californians.



Santa Maria Times

Tough times breed entrepreneurs

By Sam Womack/Staff Writer

Unemployment just hit 11.5 percent in California, jobs are scarce and the majority of those who do have jobs have seen their hours cuts and wages frozen.

But there is a bright side, according to small business advocates: More people are turning toward self-employment.

“We got into a mindset in America, where instead of being entrepreneurial, we became employees, as a way to create stability, but the rug has been pulled out from under people,” said Angel Cottrell, client services director at Women’s Economic Ventures in Santa Barbara County.

“If you’re going to put sweat and tears into something, it might be smart to put it into something that’s yours,” she added.

The trend isn’t new, said Cottrell and long-time micro business advocate Claudia Viek, CEO of California Association of Micro Enterprise Opportunity.

During the rough economic downturn in the early 1990s, Viek said, there was a significant increase in clients looking for training and technical assistance.

Now, she has seen a rise in people who are underemployed or recently unemployed starting micro enterprises, which have less than five employees.

Carla Seideman, a 38-year-old single mother from Orcutt, recently got her business license, fictitious business statement, and first client.

According to her bright-colored flyer and glossy new business cards, Seideman is now the owner and sole operator of Stage One Home Prep Cleaning Service.

“I had people tell me I’d be good at cleaning” at a time when she was feeling frustrated and helpless at not finding full-time work, Seideman said.

“It’s more difficult than I thought it would be, because of all the steps involved,” she added. “The whole learning process is a challenge, but it’s something I’m looking forward to.”

Since Seideman couldn’t find a job that would fit her experience and requirements, she started her own, using a skills she excels at to fill a niche she sees.

More people are working longer, leaving less time to clean the house, also there are many elderly residents in Orcutt and Santa Maria, who could use some help, she explained.

And she’s hoping to start getting some foreclosed homes and homes for sale, since there are quite a few of them around.

Seideman became an entrepreneur out of necessity, but now she has the opportunity to determine how successful she will be.

“You have to be willing to take on a higher level of risk and responsibility,” Cottrell said. “Not everyone is a business owner, so it’s important to take a look at yourself and your skills.

“But really you’ve got a good shot within this economy if you have done your homework.”

Another Orcutt entrepreneur, Kim Rosa, 34, just got her credit-report



and tenant-history business online at creditnetworksystem.com, and her hopes are high.

More people will be renting with the housing bubble bust, and landlords will be searching for a low-cost way to check out potential tenants. Rosa hopes to fill that niche.

She and her two children have been living on a fixed income since her husband unexpectedly died in late 2007.

With a mortgage and car payment and two growing children, Rosa was forced to move past the grief and start to look forward.

“Everyone needs assistance at times, but you have to make your own way,” Rosa said. “Giving up and failure are not an option; too many people are affected when you give up.”

But this is a gamble, she admitted freely.

“This has to support us. It’s scary, a frightening thing. But you have to take that leap. In life, things happen for a reason; you can’t just sit and wait for something to happen,” Rosa said.

According to Viek’s estimate, there are at least 325,000 currently unemployed Californians, who with a little bit of guidance and support could also be self-employed.

“That’s at least 325,000 new jobs,” she said.

In past economic recessions, it was small businesses that pulled the economy back up, according to Cottrell.

“(Micro enterprises) are the glue that holds everything together,” she said.



San Francisco Chronicle

How microlending helps communities

By James Temple, Chronicle Staff Writer
May 29, 2009

Providing small loans to help the poor start or expand businesses is an effective strategy for helping communities ravaged by the recession as well as expanding the overall economy, according to speakers at a conference Thursday.

“In the midst of a depressing downward economic spiral, microfinances are a real ray of hope,” said Eric Weaver, chief executive officer of the Opportunity Fund, a sponsor of the Microfinance California event held at Stanford University. “It’s a wonderful system for generating wealth and organizing economic activity.”

Microfinance lenders like Opportunity Fund provide small loans along with business coaching to low-income entrepreneurs. With a median loan size of \$5,000, the San Jose nonprofit claims to create or retain two jobs per business on average.

The survival rate in the United States for such companies is roughly comparable to those of traditional small businesses, according to a survey of studies by the Aspen Institute’s Field program, a microenterprise research group in Washington.

It’s likely to be a growing investment area, as the Obama administration has directed more than \$100 million in new funds toward programs that make loans to low-income individuals, including the Community Development Financial Institutions Fund. In addition, Kiva.org, a service promoted by former President Bill Clinton that will have facilitated

\$100 million in loans to entrepreneurs in developing countries by 2010, is now turning its sights to the United States.

But only 7.5 to 17 percent of the demand for microlending was being funded as of a 2005 estimate by the Aspen Institute. More entrepreneurs are receiving these loans four years later, but the need has climbed dramatically with the economic downturn, as banks tighten their lending standards and more newly unemployed people look to entrepreneurship for a living, said Joyce Klein, senior consultant for the Field program.

There are around 2 million unfunded opportunities in California alone, said John Stumpf, CEO of Wells Fargo & Co. and the keynote speaker at the conference. It’s critical to lend to these enterprises because they’re a major source of regional job generation, he said.

“Think what that would do for our 11 percent-plus unemployment rate,” he said. “It’s not a handout but a hand up, where they can achieve dreams, work hard and participate in the American opportunity and the American dream.”

The San Francisco bank has provided more than \$20 million in grants to microlenders, including San Francisco organizations like Urban Solutions, Renaissance Entrepreneurship Center and TMC Development Working Solutions.

TMC, a nonprofit on Front Street, has lent \$750,000 since it began its microlending program with \$500,000 from Wells Fargo in 2005. It has invested in a wide array of local businesses, including chocolatier Kika’s Treats in San Francisco, SAT preparation program My Tutoring Place in Millbrae and jewelry designer Kris Nations Jewels in Oakland.



Their clients are often unable to secure loans from banks because they don't have the business track record, established credit or collateral that traditional firms require, said Emily Gasner, executive director of TMC.

The counseling that comes with microlending also provides a route for getting poor people and minorities into the financial mainstream, said Emmett Carson, CEO of the Silicon Valley Community Foundation.

Nearly 1 million California households don't have checking or savings accounts, and nearly 900,000 of them are African American or Latino, he said. That often leaves the state's poorest residents dealing with the most expensive financial services, such as payday lenders and check cashing operations.

"Financial education holds the power to transform the cycle of poverty into a cycle of prosperity," he said.



San Francisco Chronicle

Micro-lenders ready to loan

By Tim Holt
May 8, 2009

There's a positive message lurking behind the gloomy news of bailouts and layoffs. President Obama, who recently described small business as "the heart of the economy," is starting to get it: The idea of small business as the driving force behind an economic recovery.

If the president looks a little further, he'll also find lenders who are eager to lend despite the credit freeze, and ready to train budding entrepreneurs for success.

It's hard to imagine a successful recovery program that does not tap into the energy of small entrepreneurs. They're the principal generators of new jobs in this country. But a successful recovery program will have to go beyond just lending.

Lana Porcello and David Muller worked for years raising farm produce and selling it at farmers' markets. Now they've opened their own restaurant in San Francisco's Sunset district, one that features seasonal food from local farms. To get started, they patched together \$35,000 in loans from two Bay Area micro-lenders, nonprofit organizations that specialize in loans of \$35,000 or less and tie those loans to training programs that include money management and marketing.

Micro-lenders draw their loan capital from a mix of sources that include the Small Business Administration, mainstream banks and philanthropies.

Micro-lenders typically look past formal credit ratings to assess qualities like motivation and experience. They tend to

be the lender of last resort for women- and minority-owned businesses and others that can't qualify for conventional bank loans. But increasingly, they're seeing loan applications from established small businesses who have had their lines of credit cut off and new loans denied.

After being turned down by countless banks, Percello and her partner-husband not only received sufficient startup money from the two micro-lenders but personal attention and assistance: "Emily (Gasner of the Bay Area micro-lender Working Solutions) took the time to get to know us, to understand our vision," she says.

The personal attention pays off: After four years of lending, 85 percent of Working Solutions' clients are still in business, according to Gasner.

To be a successful small-business person, it's important to carve out a niche. In Oakland, there's the enterprising lady who sells repossessed mannequins to clothing stores; in San Francisco, the ex-prostitute who used her police contacts to start a business cleaning up crime scenes; in downtown Oakland, the former dishwasher who has opened her own catering and takeout business.

The Obama administration says it's looking for opportunities in this economic crisis. Well, how about all the would-be entrepreneurs among those laid off in the auto and finance industries and other sectors of the economy - people with the time and talent to "create the Googles of the future," as one small-business advocate puts it?

But first the administration needs to get beyond the idea of buying up the banking system's toxic assets to loosen up credit.



The operative model should be that of the small-town banker who develops a one-on-one relationship with clients in which the banker is invested in the success of the business.

Micro-lenders such as Gasner have embraced that model and, unlike mainstream banks, they are ready to lend. Bay Area micro-lenders I spoke with say they could be making anywhere from double to 10 times the number of loans they are now, if they had more capital. Nationwide, there's an immediate need for \$1 billion in additional micro-loan capital, according to Mark Pinsky of the Philadelphia-based Opportunity Finance Network, a consortium of nonprofit lenders.

Unfortunately, the latest stimulus bill passed by Congress contained only about \$50 million to boost micro-loan capital.

These micro-lenders make up a small portion of the financial sector, and can't by themselves pull us out of the recession, but they provide a model for personal, success-oriented lending that can spur job development and economic growth.



Los Angeles Times

Los Angeles-area small-business lender receives cash infusion

Valley Economic Development Center gets \$15 million from the city of Los Angeles and \$1 million from Merrill Lynch to bolster nearly drained loan funds.

By Cyndia Zwahlen
January 5, 2009

After nearly running out of money in its small-business loan funds last month, Valley Economic Development Center Inc. of Van Nuys says it is getting \$16 million to enable it to continue to lend to Southern California firms caught in the stubborn credit crunch.

Most of the money – \$15 million – is coming from the city of Los Angeles. Last week, Merrill Lynch & Co. said it would supply the group with \$1 million.

Center President Roberto Barragan said he also was working with two major banks to secure capital: Wells Fargo & Co., to set up a \$1-million loan fund for local firms, and Bank of America Corp., on a national micro-enterprise initiative.

“Most economists say recovery and new job creation are going to come out of small and microbusinesses, not large companies, so our ability to feed that with dollars and capital becomes extremely important,” said Barragan, whose organization aims to create jobs by consulting with, training and financing local businesses.

The city funds, in the works since last spring and approved in December, will be used to make business loans of \$100,000 to \$400,000. The city borrowed money from the federal government, including additional money to set up a reserve to

cover loans that may go bad. Barragan expects to begin lending the new money by the end of the month and to have lent as much as \$10 million by year-end.

The Merrill Lynch funds are meant for microloans of \$5,000 to \$50,000, he said. Half the \$1 million has already been tapped for loans. Merrill Lynch also gave the center a \$50,000 grant to create a streamlined, computer-based loan approval process it hopes other microlenders can copy. The money will also pay for a new loan officer in the center’s downtown L.A. office.

In addition to running its own loan funds, which are often set up by banks or other lenders in part to meet their federal community reinvestment requirements, the center is a middleman for Small Business Administration loan programs. It funnels potential business borrowers to bank and nonbank lenders that make loans that are partially guaranteed by the SBA.

Demand for all loans has soared in recent months at the center, eventually using all the money available in several of its loan funds.

Although the souring economy has driven some of the demand as struggling small-business owners try to borrow capital, demand also has been fueled by new restrictions on a popular SBA loan program geared to loans under \$35,000, Barragan said.

Dozens of potential SBA Community Express loan borrowers have been turned away by bank and nonbank lenders that have strict new volume caps and higher credit standards. Many borrowers have turned to the center’s own microloan and other loan funds.



“We normally do about \$1 million in loans a quarter,” Barragan said. “Starting in late July, now we’re doing \$1 million a month.”

SBA lenders also have cut back on lending because the secondary market, where they sell packages of SBA loans, has dried up, much like the secondary market for subprime mortgages, he said.

Merrill Lynch also made a \$40,000 grant to the Los Angeles-based Asian Pacific Islander Small Business Program as part of a total of \$250,000 in grants it made to California organizations that support the smallest businesses.

The organization will use the grant to boost its website creation and hosting program for its small-business clients, program founder and Director Cooke Sunoo said.

“It is a very, very welcome addition in this particular year,” Sunoo said. “The Merrill Lynch grant will allow us to take this to another level where we will offer transaction capabilities to the websites.”

His group, a collaboration of five Asian ethnic communities, has seen a strong increase in demand for its services. Part of that has come from entrepreneurs who want to launch a home-based online business because they can’t get funding for a larger start-up.

Such tiny businesses, and other microenterprises that typically have fewer than 10 employees, are an increasingly popular target for groups geared to job creation and creating a healthy small-business community.

As Merrill Lynch expanded its reach in California, including its community development efforts, it has focused on supporting microenterprises.

The company’s efforts were guided in part by work done by the 30-member California Assn. for Microenterprise Opportunity in San Francisco.

The group’s chief executive, Claudia Viek, has pushed for microloan funding, including a proposal for \$50 million in federal economic stimulus funding. The group worked to get microloans included in policy recommendations drafted for the Governor’s Conference on Small Business and Entrepreneurship in November. And she requested the Valley Economic Development Center loan from Merrill Lynch.

“Our work accelerated very quickly as the economic crisis unfolded and we realized these microenterprise providers are undergoing a huge need for funding, both from a liquidity standpoint as well as new businesses that hadn’t come to their doors before,” said Terry Ludwig, president of Merrill Lynch Development Co. in New York and chairwoman of Accion USA, a nonprofit microlender for low and moderate-income entrepreneurs.

She acknowledged concerns expressed by Viek, Barragan and Sunoo, as well as others, that continuing bank mergers and corporate America’s struggles would affect their ability to get the donations and loans their organizations needed to serve small-business clients.

Merrill Lynch was acquired by Bank of America, just one of many transactions in recent months as the industry consolidates.

They are “very active in supporting microenterprise programs,” Ludwig said. “I would fully expect that we will remain committed to this area.”



San Francisco Chronicle

Bailouts for the Big Three and a small business near you

By Tim Holt
December 9, 2008

A chorus of “too big to fail” plays in the background as the federal government pumps some \$700 billion into failing financial institutions. The nation’s Big Three automakers wait in line for another \$17 billion. Meanwhile, a Riverside County sugar beet grower with a stellar 800 credit rating (out of a possible 850) can’t get a bank loan. An auto body repair shop in San Diego with a 700 credit rating can’t get a line of credit. An Oakland-based retail liquidator with a similar credit rating has seen its line of credit reduced by half.

While the federal government focuses on damage control at the macro-economic level, it has ignored the crucial small business sector. Because of downsizing and outsourcing by larger companies, small businesses have become the principal job generators in this country, accounting for almost all the net job gains in the United States. But in this economic climate they’re having difficulty getting loans and are seeing their lines of credit drastically curtailed.

You’d think that easing the credit squeeze on this job-generating sector of the economy would be a key part of any economic recovery plan, but it isn’t. Yet Claudia Viek is determined to make that happen. She is the CEO of the San Francisco-based California Association For Micro-Enterprise Opportunities (CAMEO), an umbrella group of small business incubators and nonprofit micro-lenders.

Viek was in Washington last month to “get capital out to Main Street,” as she put it. She and other small business advocates met with the staffs of Federal Reserve chief Ben Bernanke, Speaker Nancy Pelosi, D-S.F., and other major players in the federal bailout effort. They asked for a relative pittance, \$13 billion in bailout money, to go to the Small Business Administration to guarantee loans and provide small businesses with technical assistance. (In another sign of the government’s topsy-turvy priorities, the SBA has had its budget slashed drastically over the past 30 years, by nearly 30 percent during the current president’s tenure alone.)

The credit squeeze has sent small businesses flocking to nonprofit micro-lenders. Viek has 26 of them in her statewide organization. One, the Van Nuys-based Valley Economic Development Corporation, normally does about \$1 million in micro-loans under \$35,000 per year. Valley Economic has done \$1 million worth of them in the past 75 days and is rapidly running out of funds.

On her trip to Washington, Viek is also sought a direct cash infusion of \$50 million for micro-lenders in her organization. To anyone who’d listen, Viek made the point that future infusions of federal bailout money into the banking system should come with the stipulation that it actually be used for loans, because the money pumped in thus far has not been trickling down.

Viek argued that these funds should be made available as well to the micro-lenders who often cater to women- and minority-owned businesses left out of the mainstream banking system. Viek predicts “small business will be on the



front burner” as a new president and a new Congress tackle the economic downturn.

By the time her whirlwind trip was over, it looked as though \$620 million, not \$13 billion, had been leveraged for small businesses - if a bill authored by Sen. John Kerry to provide SBA loan guarantees is passed and signed into law.

There's more than a little of “Mr. Smith Goes To Washington” in Viek’s championing of the Little Guy. But there are also solid, bottom-line arguments for taking that position, and working to loosen the credit reins on small businesses.

In the next few months, we’ll find out if this was all just a quixotic exercise in old-fashioned populism, or if those movers and shakers were really listening - and if Washington is on the threshold of real change.



San Francisco Chronicle

How a pianist turned a crisis into a business with the help of a microloan

By Rob Baedeker
September 2, 2008

A little more than two years ago, Vivienne Fleischer's Oakland-based business was at a critical juncture: full of prospects but short on cash. At the time, she never would have guessed that a "microloan" could provide the capital needed to propel her business forward because, like most people, she didn't know much about them.

But Fleischer's career has been full of the unexpected. Along the way, she's developed a knack for re-directing her talents and finding ways to turn crisis into opportunity. In fact, it was a career-altering injury, decades ago, that set her on a path toward creating the business she runs today.

In 1978, Fleischer enrolled at The Juilliard School, the prestigious performing arts conservatory in New York, where she studied with a professor who gave her a set of piano practice exercises that caused her pain in her hands and arms. "That's good," Fleischer remembered her teacher telling her. "No pain, no gain," he said. "You're developing muscles."

In fact, with frequent six-, 10- and, at times, 13-hour practice days (on top of waiting tables, teaching piano, and typing at temp jobs on the side) Fleischer was inflicting serious damage to her hands and arms.

"About three years later," she said, "while I was studying at Oberlin Conservatory in Ohio, I went to hold a cup of coffee. And I couldn't do it."

She was eventually diagnosed with a cluster of repetitive stress injuries in her arms, shoulders and wrists. The medical treatment proposed to her, she said, was to "take pain killers, cancel your concerts, and quit your job."

Fleischer explored a number of ways to deal with the pain and its causes, from cortisone to tai chi, she said, and eventually discovered a piano technique called the Taubman method, which emphasized natural, coordinated movements of the fingers, hands and arms.

"Two years into it I was retrained," she said. "I was finally the pianist I wanted to be. And I was now working with injured pianists."

She continued to temp part-time, and she was still experiencing "flare-ups" of pain from typing.

"Then there was a fateful day on a temp job," Fleischer recalled. "I looked down while I was typing ... and I found my hands in this crazy, contorted position."

"I started to correlate what I was doing at the typewriter keyboard with what I'd been doing at the piano," she said. "And I started transporting the healthy piano movements I'd learned into touch typing. A month later, my typing was unrecognizable. My typing speed went up, and my arms felt great."

Fleischer continued teaching piano, and moved to San Francisco in 1989. She also started researching repetitive stress injuries, and continued to develop her own system of workplace ergonomics - she called it "kinetic keyboard training, a keyboard and mousing technique based on healthy principles of piano technique" - and approached companies to offer ergonomics consulting, eventually



teaming up with a doctor in the South Bay and working with patients under his auspices for seven years.

In the late 1990s Fleischer decided to part ways with the doctor to develop the business on her own. She soon realized that while she had learned a lot about ergonomics, she knew less about running a business.

That's when she had a serendipitous cab ride. Fleischer and her daughter hailed a taxi in San Francisco and started talking with the driver, Andrew Blumenfeld. It turned out that Blumenfeld was between jobs as a businessman (with a background in restaurant management). A couple of months later, Fleischer noticed Blumenfeld in a café near her home in Oakland (it also turned out that the two lived only a couple of blocks apart) and they started chatting again.

They struck up a friendship and an informal business relationship. "I'd often talk to Andrew about business ideas," Fleischer remembered, "And everything he suggested worked."

In 1998 Blumenfeld became the business manager of Fleischer's company, Performance Based Ergonomics (PBE).

The business had its ups and downs - the dot-com crash and 9/11 slowed its growth, but they stayed afloat however they could. They solicited investments and loans from friends and family. Fleischer continued teaching music. Blumenfeld waited tables during lean times and loaned the business money through his credit cards. At one point, Fleischer sold her grand piano to keep the business going.

Then, about two years ago, Fleischer said, "We started getting traction, and word of mouth started spreading."

Performance Based Ergonomics was picking up contracts for ergonomics workshops with big companies such as Juniper Networks, Adobe and Johnson & Johnson.

"Now we had a new set of problems," Fleischer said. "How were we going to get the money to pay for the business operations? We had to hire people. There were times we couldn't [give ourselves] paychecks for two or three months. We needed to get financing to help with cash flow, and to do a little more advertising."

"Money was a huge issue," Fleischer said. "I started going to banks and they said, 'Your credit rating is just not good enough.'" Fleischer explained that she had gone through a bad divorce and, as a single mother with no child support, there were a "lot of years of struggle. My personal financial situation was pretty grim." Along the way, she said, her credit score had incurred some "dings and marks."

"Because of my personal credit history, when I went to traditional banks they would just sort of look down their noses and say, 'Ha. Thanks, but no thanks,'" Fleischer recalled. "It was not a pleasant experience."

That's when Fleischer discovered microlending.

At a small-business resource event at San Francisco City Hall in 2006, Fleischer met Emily Gasner, program manager at TMC Working Solutions, a non-profit organization that connects "microentrepreneurs" with resources and capital to start or grow businesses.

While TMC Working Solutions offers microloans (loans up to \$25,000) for small-business owners, Gasner emphasized that the education and



training resources are an equally important part of her organization's mission. "As opposed to just giving out the money, we want to stay involved and connect (entrepreneurs) to resources and education so that they can be successful," she said.

Gasner met with Fleischer and talked about PBE's business plans and needs. She guided her through the microloan-application process, and connected her with some free consulting resources.

Fleischer remembered that TMC's loan-application process "was kind of grueling. I had to create budgets and forecasts and give assumptions and go three years out."

Although the process was rigorous, Fleischer adds, "It was wonderful. I really had to get to know my business. We had to go in front of the committee and go cell by cell and justify everything that was in the budget and why it was there, and why we thought we were going to be able to make money and grow, and what we were going to be able to use this (loan) money for."

About 20 minutes after Fleischer presented her case to the Working Solutions loan committee, in June of 2007, she got a phone call from TMC Working Solutions. Fleischer remembered Gasner telling her, "We really believe in what you're doing ... We think you have a solid plan, and we're going to give you the maximum loan at the minimum rate."

That loan amount was \$25,000, at a 7 percent fixed rate.

"It was an absolute turning point," Fleischer said.

Blumenfeld, who is now the company's CEO, explained the immediate effect that the microloan had on the company: "We didn't have assets to borrow from except for our accounts receivable, so we were constantly dealing with trying to collect money. And we didn't have a lot of discretionary money to be spending on marketing. The loan really helped with that and continues to help with that. It gave us a cushion. We may need more money in the future to get to a different level, but we couldn't have done it without getting this money."

Fleischer explained that the process of preparing for the loan, and her quarterly meetings with Gasner about PBE's financials (another precondition of the loan), have drastically changed her view of her business and money. "I have a background as an artist," she said. "And artists tend to live a little bit with their feet off the ground. One of our skills is that we can be visionary; we see things others can't. But before, if you were to talk to me about budget, I'd say, 'Huh?' I could have the greatest idea in the world, but if it can't be profitable it doesn't matter, because it's not viable. Money just didn't matter to me, and now it's starting to really matter."

She added that the knowledge she's gained about business and finance has affected her approach to personal spending as well. She recently remarried, and said, "For years my husband was saying, 'Can we just have a budget?' And last year I think he fainted right there on the spot when I said, 'You know what? I created a budget for us.'"

"And my credit score is now in the medium range," Fleischer beamed.



Before she met Gasner, Fleischer didn't know very much about microlending. She said she'd read an article on microloans about a year earlier, but thought that they were for much smaller amounts and so didn't pursue them.

In fact, Gasner said, there is generally a low level of awareness about microloans and microenterprise development.

"Whenever I meet people and tell them I work at a microlender," she said, "they immediately ask, 'What country do you make your microloans in? Is it India? Or Bangladesh?'" But microlending has a very strong history here in the U.S., going back at least 30 or 40 years."

Claudia Viek, CEO of the California Association for Micro Enterprise Opportunity (CAMEO), an organization of microlenders and small-business centers throughout the state (including TMC Working Solutions), said that, while CAMEO's 68 member organization served 18,000 entrepreneurs last year, there's still not much public consciousness of microlending.

"When people think of microcredit or microfinance in the Grameen Bank lingo," she said, referring to the Nobel-prize winning microfinance institution started in Bangladesh, "they think of \$150. In the U.S., people can't do anything with that amount of money to grow a business. They need usually somewhere between \$2,500 and \$10,000."

Viek added that almost every community in California has access to a microenterprise program, but emphasized that the assistance available to help entrepreneurs grow their businesses may or may not include a loan. "It isn't just lending. It's the resources and technical assistance to grow your business," she explained.

Viek said Fleischer is "a very typical example of the highly motivated, fiercely independent and creative individual who seeks to support themselves through self employment and entrepreneurship." And this kind of motivation, Viek said, by way of explaining CAMEO's broader mission, "results in business creation, job creation and tax revenue generation in our local communities."

Gasner said Fleischer has been "fantastic" with her loan repayments. Blumenfeld explained that since the loan, he and Fleischer have been able to "make a livable income - and more than that - and pay our people (PBE currently employs an occupational therapist, physical therapist, corrective therapist and a vocational rehab counselor), and pay our accounts payable. And we haven't had a cash-flow issue since. And it's been well over a year since the loan."

Fleischer said she enjoys many facets of her business, including the staff she works with and the feedback she receives from clients who have overcome pain with the help of PBE's ergonomic training. "I like seeing the business grow," she adds, "and I like making more money."

Fleischer remembered the moment she decided to sell her grand piano to keep her business afloat: "My mother was on the couch crying, saying, 'What are you doing?'"

Fleischer reassured her mom: "I'm confident we'll get this business to a level where I'll be able to buy a beautiful Steinway someday."

She still plays on a small upright piano, but the Steinway remains part of her long-term budget forecast. "There are going to be two of them one day," she said, "one facing this way, one facing that



way, so you can play duo piano.
That's the dream.”

For more information about
microenterprise programs throughout
California, visit
www.microbiz.org; Information about
local workshops and other microenterprise
resources is also available at
www.tmcworkingsolutions.org/.



The Sacramento Bee

Daniel Weintraub: Tiny businesses becoming engine for new economy

By Daniel Weintraub
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July 23, 2008

Claudia Viek thinks Servio Gomez is at the heart of the new economy.

A native of El Salvador who once sold oranges at the end of a Los Angeles freeway offramp, Gomez worked in a San Francisco frame shop and then, with dreams of being his own boss, opened a store of his own. It flopped, but that was just the start of his story.

Gomez didn't quit. He enrolled in a business-planning course given by a local nonprofit, pulled together a few bucks and started over on Valencia Street in San Francisco's Mission District. This time his store survived and grew. Gomez has opened a second frame shop that his brother runs and two coffeehouses, one in the Mission and another in Bayview.

The story is important for at least two reasons. First, it illustrates the value that a little professional help can bring to a struggling entrepreneur. Many times it can mean the difference between making it and going under.

But the story's timeline also tracks the amazing explosion in small business and self-employment that is transforming the economy and the labor market, almost without being noticed by the governing class and the political world.

Viek has been there from the beginning, first running her own center in San Francisco to advise hopeful

entrepreneurs like Gomez, now as chief executive of a network of these centers across the state. They focus on immigrants, minorities, women and the disabled, and low-income communities, places where opportunity has not always been obvious but is still there to those who are willing to work hard and can catch a break.

Rather than job training or employment development, Viek sees self-employment and ownership as the best way out of poverty for a lot of people.

"Micro-enterprise is where it all begins," Viek says. "It should be the centerpiece of our state's economic development."

She has a point. Hardly a week goes by when Gov. Arnold Schwarzenegger does not announce a new grant to a company or employment agency to retrain laid off workers or give new skills to employees in danger of losing their jobs. Last month, the governor claimed credit for keeping electric car manufacturer Tesla Motors in California by granting the firm a major tax break.

But those high-profile examples of new jobs created or old jobs eliminated are really not what make the economy go or slow these days. You find the true energy in the millions of small businesses, and much of the action is in the smallest of the smalls, the Sergio Gomezes of the world.

Firms of five employees or fewer now represent nearly 90 percent of all businesses in California, and from 2000 to 2005 the number of such enterprises grew by nearly 25 percent, according to the state Senate Office of Research. At the same time, the number of jobs provided by these firms increased by 23 percent, to 3.7 million. The number of sole proprietorships – companies



owned and operated by a single person – increased by 24 percent to 2.6 million.

What is happening? According to Viek, a lot of the growth is coming from the state’s growing immigrant community, where entrepreneurship has always found a home. Women juggling work and family, or frustrated by the glass ceiling, are also increasingly forming their own businesses. Early retirees who want to leave the business world but still make some money on the side are doing the same. And in a striking development, Viek says a recent survey found that 75 percent of college students say they want to own their own business.

“This is totally new,” she says of the shift in attitudes among the young. “This was not the case 15 years ago.”

One big factor in all of this is technology, which allows more people to work at home or in rural areas without the infrastructure of the large company around them. But it is also a mindset in favor of decentralization and independence.

“People are seeing that corporations are not going to take care of you,” Viek says. “You have to find a way to take care of yourselves and your family.”

In fact, some social critics suggest that the trend toward self-employment and small business is simply another way that the little guy is being squeezed by the economy. Without an employer, these people are forced to fend for themselves, find their own health insurance and retirement plan. But people such as Viek and Assemblyman Jose Solorio, a Democrat from Santa Ana, say they see the trend as a way to open the door of economic opportunity and mobility to everyone.

“It’s all about having hope,” Solorio told me.

Viek and Solorio both say they would like to see government doing more for entrepreneurs, especially from disadvantaged communities. Certainly the scrappy, hardworking dreamers that Viek’s network tries to help deserve a level playing field with big business.

But based on the numbers, the new entrepreneurial economy seems to be doing pretty well on its own. Maybe the best they can hope for from government is to continue to be left alone.



San Francisco Chronicle

Female entrepreneurs needed the Initiative

By Patricia Yollin
February 17, 2008

A preschool in San Francisco. An Aztec restaurant in Oakland. A pest-control outfit in Vallejo. A massage studio in San Jose.

These ventures, which seemingly have nothing in common, share a crucial reason for their existence: Women's Initiative for Self Employment, a Bay Area nonprofit marking its 20th anniversary this year.

A microenterprise training and microlending organization, Women's Initiative has helped low-income women start or expand more than 1,600 businesses in Northern California.

Guisell Osorio is one of those women.

A 37-year-old immigrant from Chile, she runs Sabores Del Sur, a food and catering company that specializes in South American cuisine.

"I'm surprised people say I can sell because I didn't think I could," Osorio said one morning at her weekly stand in San Francisco's Alemany Farmers' Market.

Osorio and thousands of other women have learned to do more than just sell. Through a 20-session business management course at Women's Initiative, they've figured out how to come up with business plans, target their markets, analyze the competition, price their product or service, handle cash-flow projections, and do all the other things that entrepreneurs must.

When they graduate, some receive microloans from Women's Initiative to start their enterprises. And all of them can benefit from the network of successful women who will be with them from graduation to the grave.

On a recent Saturday, Osorio's customers besieged her from shortly after 6 a.m. until she closed more than six hours later, lining up for her homemade empanadas and South American cookies, called alfajores, as well as coffee, espresso drinks, chai, hot chocolate and store-bought pastries.

"We've become regulars," said Jennifer Tam, accompanied by her husband. "I like the espresso - it's rich without being bitter - and her sparkling personality. The fact she remembers us and that we chat. It's like seeing a friend."

Osorio's enormous smile and expansive manner have made her a magnet at the market in the two years she's been there. Those qualities are augmented by the business know-how she acquired at Women's Initiative in the early 1990s, after she was laid off from her job as a social worker.

"It made me believe I could do something," Osorio said. "Other women were having businesses, and I could, too. Without that, I wouldn't have done it."

Some days are long. She often has a catering engagement after her farmers' market stint. Her record is 25 hours straight, from the time she left her Walnut Creek home until she returned.

However, her company now has 16 employees, and she has gone as far as Monterey and Lake Tahoe to cater conventions, parties and corporate events. Meanwhile, the cookies, made



from her grandmother's recipe, can be found in almost 20 upscale markets in the Bay Area.

"I even have a secretary now," marveled Osorio, who had gotten up at 3 a.m. to make the empanadas and coffee she was selling at the Alemany market.

Her next goal is a restaurant. "I want to have during the week what I have here on Saturdays," she said. "I like to interact with people and see them when they try my cookies for the first time. Earlier today, a woman from Argentina had one. When an Argentinean says my cookies are good, that's a real compliment."

If the tales of rags to riches - or at least solvency - seem too good to be true, the numbers convince most skeptics.

Julie Castro Abrams, the organization's chief executive officer, said 68 percent of graduates are in business within 12 months of completing the 10-week program, which costs \$100, although a sliding scale means the applicants most in need pay less.

"A couple years later, they're too busy to return our phone calls," Abrams joked. "But they send checks and volunteer, or they come to be guest speakers and tell other women how to do it."

The agency has served more than 16,000 women in two decades. The average client is 41 years old, and 78 percent are women of color. Twenty-nine percent are single mothers, 15 percent have a disability, and 46 percent speak Spanish as their first or only language - which is why Women's Initiative offers programs in Spanish. All of the women are struggling, with an average household income of only \$13,000 a year, and some are illiterate.

"Low-income women in particular have a whole set of issues about their self-perception and some of those demons that have become roadblocks for them in the past," Abrams said. "We help them visualize and get rid of them - like not pricing themselves appropriately because they don't think they're worth it, or giving themselves all the million reasons in the world not to go out and shake a hand or make sales because they're terrified."

The organization, which has a \$4.9 million budget this year, relies on donations from foundations, corporations, government and individuals. In 2007, Women's Initiative made 160 loans to clients to help with their businesses, totaling \$311,363 and ranging from \$1,000 to \$25,000.

In San Francisco last year, eight graduates received first-time leaseholder grants of \$9,000 apiece, with the assistance of the Mayor's Office of Community Development, to help overcome a frequent problem: prohibitively high commercial rents.

"I looked for a year for a space to rent," said Carmen Rios, 38, who grew up in Mexico City and received one of the grants.

She opened Rose Nails in August on Valencia Street in San Francisco's Mission District. Her clients get manicures, pedicures, waxes and facials. The specialty is Latin American art nails, or *encapsuladas*, which can contain ribbons, flowers, snake skin, leaves or whatever.

Rios graduated from the business management course at Women's Initiative in 1996. She worked at a travel agency and sold clothes before opening her salon.



“It took me 10 years,” Rios said. “It is very difficult. It is hard for Spanish women to find someone to believe in you.”

She said Women’s Initiative gave her confidence - and advice that continues to this day.

“When you come to the United States, you are alone,” Rios said. “This was the first organization I can come to where they talk my language. I felt like I’m alive and I can survive.”

Her 17-year-old daughter helps out in the salon, where candles create an amber glow and the scent of rosewater is pervasive. Statues of San Martin Caballero and Our Lady of Guadalupe keep company with foot repair cream and dozens of bottles of nail polish.

Rios works more than 60 hours a week and has one employee. The salon operates nine hours a day, and has just started opening Sundays as well.

Paulette Meyer said she co-founded Women’s Initiative in 1988 because she saw a desperate need in the Bay Area.

“We had a lot of women with a lot of talent, and it seemed like it would fill a real niche,” she said. “It has exceeded my wildest expectations in terms of the number of people who have been served.”

Meyer, chairwoman of Equal Rights Advocates in San Francisco, said Women’s Initiative is one of the forces that pioneered the microcredit movement, which focuses on tiny loans to very poor people to create small businesses.

“There are a lot of organizations doing those things now,” she said. “There weren’t when we started.”

Bob Graham, founder of NamasteDirect, a microcredit organization in San Francisco, said people often ask him if microcredit is being done anywhere in the United States as successfully as it is in much of the developing world.

“I always reply that it is, in a few cases,” he said. “And the best example is Women’s Initiative. It has a track record second to none.”

AnewAmerica, the Small Business Administration and the Renaissance Entrepreneurship Center in San Francisco are among the agencies that now help people start enterprises. Abrams is not aware, however, of any Bay Area organizations that offer what Women’s Initiative does, combining training, microfinance and access to networks of women.

“Other folks have little pieces, but nothing else is designed for low-income women with a one-stop shop that really takes them from A to Z,” she said.

Abrams said the women who come to her organization are excited but fragile. Maybe they’ve just gotten divorced or fired, perhaps they’re on welfare, maybe they’re a victim of domestic violence.

“It might be that one little last burst of hope and belief in herself that she’s showing up here,” Abrams said. “Their lives are complicated. They’re desperate for something that works with their lives, that provides flexibility and dignity. Because working for minimum wage for someone else on a rigid schedule is not going to cut it when you’ve got kids to pick up or parents that need medicine.”

Doris Shahrokhimanesh came to the San Francisco office in September, an hour early, for a free class that women



must attend if they want to enter the 20-session management course.

This first step would assess whether her dream was practical. And so the Pittsburg woman had taken BART and arrived with plenty of time to spare. She sat in a chair near the front door, beautifully dressed and clutching a jar of barbecue sauce that she'd made and hoped to market.

Three months later, she was juggling two home health care jobs and facing foreclosure on her house. But the visit to Women's Initiative had given her hope.

"I need that class," she said. "Regardless of whether I lose my home, I'm not going to lose focus on this barbecue venture."

She'll enter the program in mid-March in the organization's new Concord office.

There are also offices in San Francisco, San Rafael and Oakland - downtown and in Fruitvale. Another one will open in San Jose this summer.

The Fruitvale office opened in June. During a walking tour afterward, visitors checked out some Fruitvale businesses created by graduates of Women's Initiative: Ruth's Beauty Salon, Skin Time, Mixcoatl Arts and Crafts, El Huarache Azteca and Fruitvale Beauty Salon.

"Before, I used to live in a hotel," said Ruth Medellin, owner of one of the beauty salons. "Two years ago, I bought a house. For me it was really hard. I came here from El Salvador."

Abrams said the goal, always, is a safe and honorable life.

"You might not think she's succeeding, making \$30,000 a year," Abrams said. "But if you know the alternative - being

illiterate, she might not even make minimum wage."

On Wednesday, a new class began in the downtown Oakland office of Women's Initiative. Sixteen women brought their business ideas with them, including a Christian bookstore, a day spa, a shoe salon, a flower shop, a high-end denim boutique and a healing center.

"The way you catch someone's attention is to solve their problem," said their trainer, Carolyn Johnson, who was born and raised in East Oakland and has a background in venture capital and investment banking.

"When they get into this group of women that are all about starting a business, it's a new identity you can create," Abrams said. "And you go through this transformation together. There's a bond that is really a big deal."

Kristy Le, a 25-year-old from Hayward, said she wanted to sell organic egg rolls, just like those made by her mother, an immigrant from Vietnam.

"It's kind of like a childhood dream to own my own business," Le said after class. "But my mother is very pessimistic. She asked, 'Who's going to buy it?'"

Her fellow classmates, in an exercise, wondered the same thing. And where would she sell them? How much would they cost? Could they be eaten right away? And what would distinguish them from the millions of competing egg rolls out there waiting to be devoured?

At the end of class, Abrams greeted them. She noted that 70 percent of the graduates are in business five years out, and added that Women's Initiative would help them long after the class was over, with such things as follow-up



consultations, mentoring and conferences.

“You’ll cry together, you’ll sweat together, and you’ll create friendships that you’ll have for a really long time,” Abrams said.

She was encouraging, down to earth and completely pragmatic - reflecting how the organization feels about its clients.

“It doesn’t matter where she came from,” Abrams said. “It’s where she’s going that counts.”

For details on Women’s Initiative for Self Employment, go to:
www.womensinitiative.org

A sampling of businesses started by women’s initiative graduates:

Kelly Smith - Rubber Ducky Soap Co., San Francisco, natural bath and beauty products

Sheron Campbell - World of Braids, Oakland, hairdressing

Elizabeth Woods - EW Foods Magnificent Quiche, Oakland, frozen food distribution

Kim Le - Nurturing Spa for Wellness, San Francisco, healing and massage services

Erica Varize - EVarize Apparel, Berkeley, clothing boutique

Kelly Zubal - Inticing Creations, San Francisco, specialty cakes

Serena Bartlett - GrassRoutes Travel, Oakland, urban eco-travel guides

Amy Faust - Amy K. Faust, San Francisco, jewelry made from beach glass and other recycled materials

Nancy Rothstein - Nancy Rothstein Photography, Oakland, wedding and event photography and portraits

Adriana Razo - Crayon Box Preschool, San Francisco, bilingual preschool

Cindy Twomey - No Slippy Hair Clippy, Pleasanton, hair clips, especially for fine hair

Bobbi Williams - Maternity Xchange, Alameda, mobile maternity consignment shop

