

NORTHWESTERN Banker Newsletter

Vol. 5 No. 20

Des Moines, Iowa

September 13, 1976

Suggestions for Small Business Owners

Insufficient and misused financing is a major cause of small business failures, Bank of America says in a current report.

"Through lack of financial understanding and planning, small business owners commonly obtain the wrong type of financing, take on too much or too little, fail to synchronize their funding with their needs, or fatally underestimate the real cost of money," the bank states.

Before seeking capital, owners of small businesses must analyze their financial needs and determine whether they can develop bootstrap financing or whether they need equity funding or debt financing, the report says. They must then prepare a complete loan package.

To plan a company's financing, the owner must be able to answer four basic questions:

- What do I need the money for?
- How and when will I repay the money?
- How much do I need?
- Can I afford the cost of the money?

Unfortunately, many business people don't ask these questions until the need is upon them. "If financial projections are used, financing needs can be planned for

instead of tripped over," the bank observes.

Operating Plan

The entrepreneur should sit down and write an operating plan for the business, the bank counsels. This should include a description of how every facet of the company, including marketing, production and distribution, will be developed to handle the growth planned for the next few years. The operating plan then can be translated into the dollars and cents of a capital expenditures budget and a projected profit and loss statement.

Reasons companies need financing might include business startup costs, working capital shortages, seasonal cycles, purchase of equipment or facilities, or the financing of sharp, sustained growth. Each instance requires a specific type of financing. Businesses operating on seasonal cycles, for example, often rely on short-term credit, borrowing at the beginning of their production-sales cycle and repaying the loan when receivables or inventory are converted to cash. When businesses need money to replace or add equipment or facilities, they turn to long-term debt.

The report details the types of funding available. One alternative

is equity financing—dividing the business ownership among investors. A corporation, the bank advises, is considered the most efficient organization for equity investments. It has several investment vehicles available to obtain financing, including the sale of common and preferred stock, convertible debentures and warrants. Other sources of equity capital include family and friends, or entire capitalists—firms or individuals investing in new, relatively risky operations.

SBIC's

In 1958, the federal government stepped into the small business financing picture, authorizing Small Business Investment Companies (MESBIC's) were formed to serve small businesses owned by minority group member or other socially and economically disadvantaged Americans. Both purchase equity in small businesses.

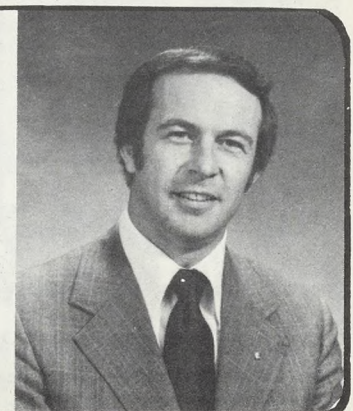
A second alternative is bootstrap financing—the company's internal ability to generate life-giving capital. "By stretching trade credit, turning fixed assets into ready cash and cutting expenses to the bone, many small businesses can get started without help and

SUGGESTIONS.....
[Turn to back page, please]

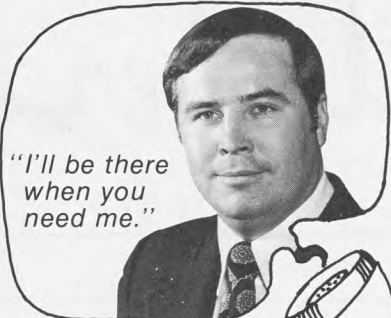
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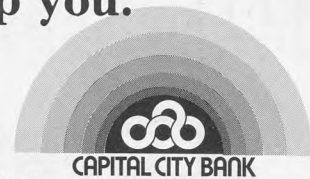
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Iowa News

The Iowa Bankers Insurance & Services, Inc., will sponsor a seminar on developments in the Keogh and IRA programs at four locations this month as follows:

Sep. 21, The Carousel, Iowa City

Sep. 22, The Ramada Inn,
Waterloo

Sep. 28, The Harbor House, Storm
Lake

Sep. 29, The Ramada Inn (down-
town), Des Moines

The day-long seminars will have registration at 8:30 a.m., seminar commencing at 9 a.m. and adjournment at 4 p.m. Edward J. Lenaghan, executive vice president of IBIS, says each seminar will consist of an explanation of the Keogh Program as updated and amended to conform with Internal Revenue requirements, and a sales refresher on Individual Retirement Accounts. Collin W. Fritz, banking consultant, will conduct the seminars.

DENISON: Bruce R. Lauritzen has been elected vice chairman of the board and a director of the Crawford County Trust and Savings Bank here. He will continue to be a vice president at the First National Bank of Omaha.

DES MOINES: The Federal Reserve Bank of Chicago has approved the application of Rainwood Corp. here to become a bank holding company through the acquisition of Valley State Bank in Rock Valley.

POSTVILLE: Robert H. Lembke

has joined the Citizens State Bank as farm representative. He formerly was assistant vice president and farm representative at the Tipton State Bank.

SIBLEY: The Federal Reserve Bank of Chicago has approved the application of the Sibley Bancorporation to become a bank holding company through the acquisition of the First National Bank here.

WATERLOO: The National Bank of Waterloo will host its annual Correspondent Bank Party at Sunnyside Country Club next Monday, Sept. 20. Golf will be available during the day.

WEST BRANCH: Dick Reeder has joined the West Branch State Bank as cashier. He has been supervising examiner for southeast Iowa for the Iowa State Department of Banking for the past six years.

Nebraska News

HAY SPRINGS: Midwestern Services, Inc., here has received approval to become a bank holding company through acquisition of 87.5% of the voting shares of First National Bank.

LINCOLN: Citi Bancorp has received permission to become a banking holding company through acquisition of Citibank and Trust Co.

TEKAMAH: Bernard LeMaster, 59, vice president, First National Bank, died suddenly at his home September 7. He had been with the bank since 1954.

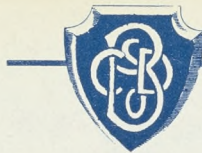


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DES MOINES, IOWA

NEW ISSUE

MOODY'S: "A1"

\$4,500,000

HUTCHINSON, MINNESOTA

Light and Power Plant Revenue Bonds of 1976

Dated: September 1, 1976

Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due December 1, 1976) payable at Northwestern National Bank of Minneapolis, Minnesota.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES.

MATURITIES

	<u>3.50%</u>			<u>4.50%</u>	
\$ 60,000	December 1, 1977	3.50		\$500,000	December 1, 1982 4.50
	<u>3.75%</u>			<u>4.70%</u>	
70,000	December 1, 1978	3.75		525,000	December 1, 1983 4.70
	<u>4.00%</u>			<u>4.80%</u>	
70,000	December 1, 1979	4.00		550,000	December 1, 1984 4.85
	<u>4.10%</u>			<u>5.00%</u>	
450,000	December 1, 1980	4.15		575,000	December 1, 1985* 5.00
	<u>4.30%</u>			<u>5.10%</u>	
475,000	December 1, 1981	4.30		600,000	December 1, 1986* 5.10
				<u>5.20%</u>	
				625,000	December 1, 1987* 5.20

*Optional in inverse order on December 1, 1984 at 100%.

LEGALITY TO BE APPROVED BY BRIGGS AND MORGAN, P. C., ST. PAUL, MINNESOTA.

Hutchinson is situated in McLeod County in south-central Minnesota approximately 55 miles west of Minneapolis-St. Paul. The community is the prime trading center for a prosperous agricultural area and serves a 35-mile radius. Retail sales in the City are in excess of \$25 million. There are two banks and one savings and loan association in Hutchinson with combined deposits in excess of \$104,000,000. Within the last 10 to 20 years, industry has become of great importance to the community. The largest industry in Hutchinson is Minnesota Mining and Manufacturing Company with 2,300 employees. The Company located in Hutchinson 20 years ago and presently occupies three buildings. The plants provide over 400 different products for five divisions: industrial and retail tape, magnetic, electrical and medical products. Distribution is on a national and international scale. Some other industries and larger employers located in the City include the following: Hutchinson Industrial Corp.; Hands, Inc.; Rockite Silo, Inc.; Hutchinson Mfg. & Sales Co.; Goebel Fixture Company and Stearnswood, Inc.

The proceeds of this issue will be used to purchase and install a 22,000 KW gas turbine generating unit and related equipment. In the opinion of counsel, these bonds, together with the \$1,265,000 presently outstanding Light and Power Plant Revenue Bonds, are legal and binding obligations of Hutchinson, Minnesota, payable from the future net revenues of the electric system. The system presently has 4,850 connected customers. Rates were increased on June 1, 1976, to provide better coverage for this issue.

HISTORIC EARNINGS

	<u>3-31-76</u>	<u>3-31-75</u>	<u>3-31-74</u>
Gross revenues	\$2,766,004	\$2,079,223	\$2,114,584
Expenses	<u>1,850,671</u>	<u>1,460,828</u>	<u>1,287,137</u>
Net revenues	<u>\$ 915,333</u>	<u>\$ 618,395</u>	<u>\$ 827,447</u>

COVERAGES

(Both issues, based on 1976 net revenues)

Average principal and interest	\$634,413	Maximum principal and interest	\$668,250
Coverage of average requirement	1.44X	Coverage of maximum requirement	1.37X

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion.



NEW ISSUE



IOWA BANKERS INSURANCE AND SERVICES, INC.

430 LIBERTY BUILDING, DES MOINES, IOWA 50309

REGISTRATION for HR-10 & IRA Seminars

- _____ Iowa City, The Carousel — September 21, 1976
Highway 6 & 218 West
- _____ Waterloo, Ramada Inn — September 22, 1976
1st & Washington Street
- _____ Storm Lake, Harbor House — September 28, 1976
Highway 71
- _____ Des Moines, Ramada Inn (downtown) — September 29, 1976
929 - 3rd Street

The registration fee is \$25.00 per person. Please indicate the location and the names of the individuals who will be attending. Badges will be provided for those who pre-register.

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Amount enclosed \$ _____

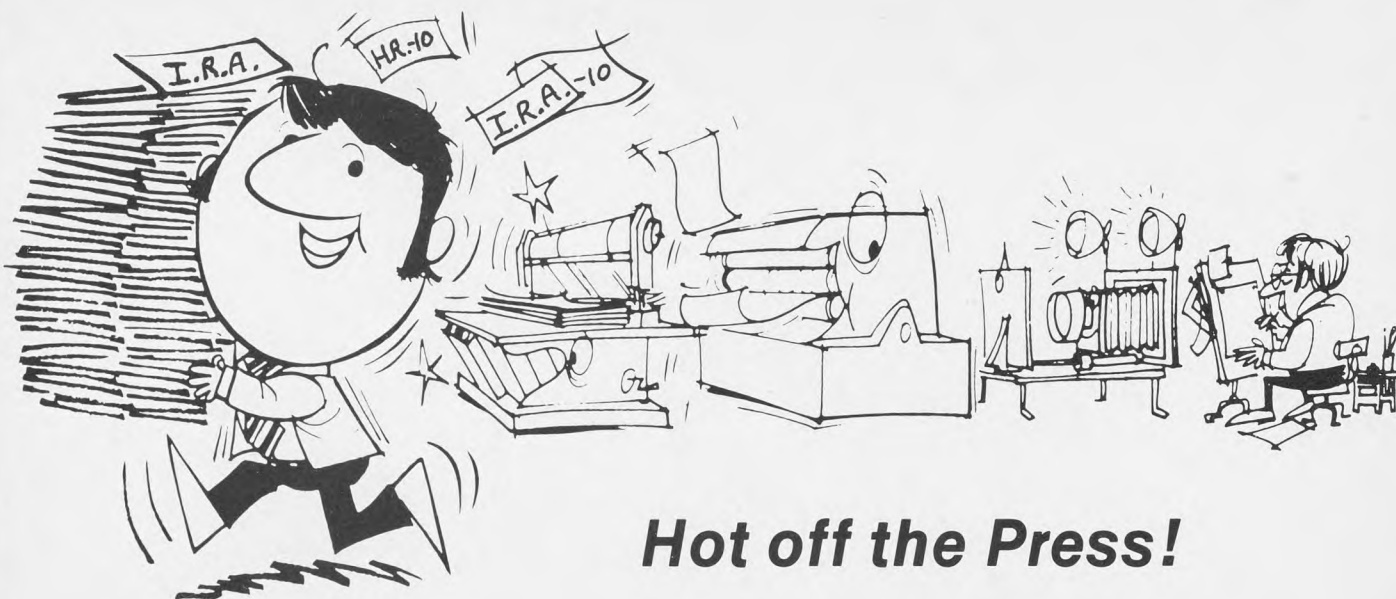
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Officer _____

Please Mail Directly to: Iowa Bankers Insurance and Services, Inc.
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See further details in the news story of this issue of the Northwestern Banker Newsletter.

Supplement to NORTHWESTERN BANKER NEWSLETTER, 9/13/76.



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Minnesota News

INTERNATIONAL FALLS: International Bancorporation, St. Paul, has received permission to become a bank holding company through acquisition of The First National Bank here.

Illinois News

DECATUR: The central Illinois Bank Marketing Assn. chapter will meet at the Holiday Inn here on Wednesday, Sept. 15.

CHICAGO: United of America Bank here has received consent to exercise limited trust powers.

CHICAGO: An application for a bank charter for the Harbor View National Bank here has been disapproved. Donald H. Fischer was the agent.

MT. STERLING: Funeral services were held recently for Dan Teefey, legislative consultant for the Illinois Bankers Assn. He was a former legislator in Illinois.

South Dakota News

HAYTI: Community State Bank here has changed its name to Hamlin County Bank.

MONTROSE: The application of the Security State Bank, Alexandria, to establish a branch bank here has been approved by the South Dakota State Banking Commission.

POSITION WANTED

Banker with 15 years experience in agricultural credit desires relocation to medium-sized bank as loan officer and ag rep. Write Box RMN, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

North Dakota News

The North Dakota Bankers Association will hold its fall Group Meetings the week of October 12-15. Dates and locations follow:

Northeast Group, Oct. 12, Grafton

Northwest Group, Oct. 13, Four Bears Motor Lodge, New Town

Southwest Group, Oct. 14, Mandan Community Center

Southeast Group, Oct. 15, Valley City Country Club

DICKINSON: Funeral services were held recently for Mrs. E. A. Nachtwey, president of the First National Bank and Trust Company here.

Colorado News

SKYLINE: United Bank of Skyline has announced the election of Brooks Griffin as cashier and Daniel J. Martinez as assistant vice president and director of personal banking.

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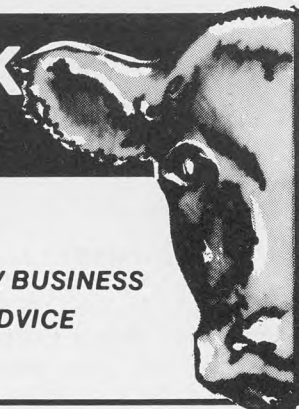
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SUGGESTIONS.
[Continued from page 1]

bail themselves out of rough spots later," the report states. By mortgaging their property, getting partial payment from customers as work progresses, or leasing equipment, businesses can often tide themselves over without going to the loan window.

Debt financing—obtaining a loan—may be the only answer, however. "The borrower," the bank advises, "must shop around, first locating the type of loan that best fits the business need and then finding the source that will make the loan for the desired amount and duration."

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