

Chapter 4 – Entrepreneurship/Business Ownership

The Entrepreneurship/Business Ownership chapter is divided into sub-chapters. Chapter 4A contains information provided by the Small Business Administration, which explains the federal programs, loans, and contact information.

Chapter 4B contains information and resources provided by the National Veterans Business Development Corporation, a federal contracted program for assisting veterans in starting a business or purchasing a franchise. This chapter will help you develop a business plan, find financing and determine if starting a franchise is your best option.

Chapter 4A – The U.S. Small Business Administration

Since 1953, the U.S. Small Business Administration has helped Veterans start, manage and grow small businesses. Today, we provide specific programs for Veterans, Service-Disabled Veterans, and Reserve and National Guard Members, and we offer a full range of entrepreneurial support programs to every American, including Veterans. Our job is to help you successfully transition from world's finest warrior to world's finest small business owner.

On August 17, 1999, Congress passed **Public Law 106-50, The Veterans Entrepreneurship and Small Business Development Act of 1999**. PL 106-50 is the most important entrepreneurial legislation for Veterans since the original 1944 G.I. Bill. This law established the SBA Office of Veterans Business Development, under the guidance and direction of the *Associate Administrator for Veterans Business Development*, to conduct outreach, be the source of policy and program development for the government, and to act as an Ombudsman for veterans within the Administration.

In addition, this law created the National Veterans Business Development Corporation, set goals for federal procurement for Service-Disabled Veterans and Veterans, established the Military Reservists Economic Injury Disaster Loan, initiated new research into the success of Veterans in Small Business, and brought focus to Veterans in the full range of SBA Capital, Entrepreneurial, and Government Contracting programs.

SBA has established Veterans Business Outreach Centers, special loans and Surety Bonding programs for Veterans and Reservists, government procurement programs for Veterans, Veterans Business Development Officers in every District Office, and special outreach, counseling and training at more than 1,500 Business Development Centers.

A. Special Localized Programs

Special local initiatives target Veterans, Service-Disabled Veterans and Reserve and National Guard members to aid in starting, managing, maintaining and growing successful small businesses. On line and printed Business Planning Guides are available, including: **Balancing Business and Deployment** for self-employed members of the Reserve and National Guard to prepare for mobilization, and **Getting Veterans Back to Business** to assist in restarting or reestablishing your business upon return from active duty. These manuals include an interactive CD ROM with a wealth of information on preparing your business and your employees for your absence, re-establishing a small business upon return from Title 10 activation and information on various business assistance resources available to assist Reservist and National Guard member entrepreneurs. The CD's also contain down loadable and printable information on loans, government procurement and information describing the full range of SBA's assistance to any veteran. In addition SBA has established an online Business Matchmaking program that may prove useful to Veterans and Service-Disabled Veterans, as well as self-employed members of the Reserve and National Guard who have interest in competing in the Federal marketplace.

In carrying out our mission, SBA offers programs and services designed to assist small business owners and entrepreneurs in starting, managing and growing successful small business concerns, in part to ensure the maximum involvement and capability of small business in supporting the Global War On Terror, and to ensure they are a source of competitive American strength in the global economy.

To learn more about the programs, services and business assistance tools SBA offers as well as business and technical assistance specific to Veterans, Service Disabled Veterans and Reservists, please explore the links below, or follow-up to our local offices and programs located in or near the community you return home to.

B. The Patriot Express Pilot Loan Program

Patriot Express Pilot Loan is the latest program created by the SBA, which offers financial, procurement, and technical assistance programs to the military community. Patriot Express is a streamlined loan product with enhanced guarantee and interest rate characteristics.

Patriot Express is available to members of the military community including veterans, service-disabled veterans, active-duty Service members participating in the military's Transition Assistance Program, Reservists and National Guard members, current spouses of any of the above, and the widowed spouse of a Service member or veteran who died during service, or of a service-connected disability.

The new Patriot Express Loan is offered by SBA's network of participating lenders nationwide. It features SBA's fastest turnaround time for loan approvals. Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans over \$150,000 up to \$500,000.

The Patriot Express Loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases.

Patriot Express Loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan. Local SBA district offices will have a listing of Patriot Express lenders in their areas. More details on the initiative can be found at <http://www.sba.gov/patriotexpress>.

C. District Office Veterans Business Development Officers (VBDOs)

As a new veteran, we realize you may not know a lot about the assistance available to you from SBA. To ensure that every aspiring veteran entrepreneur has access to the full range of SBA programs, and to receive the specific assistance and guidance you may be seeking, SBA has established a Veterans Business Development Officer (VBDO) in every one of the 68 SBA District Office around the nation. These Officers are responsible for providing prompt and direct assistance and guidance to any Veteran or reservist seeking information about or access to any SBA program. To identify your local VBDO, please contact either your local SBA district office (see Blue Pages) or contact OVBD at 202-205-6773 or visit <http://www.sba.gov/VETS/reprs.html>

D. Veterans Business Outreach Centers

OVBD provides operational funding to five Veterans Business Outreach Centers (VBOC) specifically established to offer and coordinate business development assistance to Veteran, Service-connected Disabled Veteran and Reservist entrepreneurs. Services are provided include – face-to-face and online - outreach, concept development, business training, counseling and mentoring. Please contact them directly at:

- The Research Foundation of the State University of New York
41 State Street
Albany, NY 12246
518-443-5398
Webpage: <http://www.nyssbdc.org/vboc>
Email: brian.goldstein@nyssbdc.org
- The University of West Florida in Pensacola
2500 Minnesota Avenue
Lynn Haven, FL 32444
1-800-542-7232 or 850-271-1108
Webpage: <http://www.vboc.org>
Email: vboc@knology.net
- The University of Texas - Pan American
1201 West University Drive
Edinburg, TX 78539-2999
956-292-7535
Webpage: <http://www.coserve.org/vboc>
Email: vboc@panam.edu
- Vietnam Veterans of California

7270 E. Southgate Drive, Suite 1
Sacramento, California 95823
916-393-1690
Webpage: <http://www.vboc-ca.org>
Email: cconley@vboc-ca.org
- Robert Morris University
600 Fifth Avenue
Pittsburgh, PA 15219
(412) 397-6842
Webpage: <http://www.rmu.edu/vboc>
Email: vboc@rmu.edu

E. Small Business Development Centers

SBA provides core funding, oversight and management to 1,100 Small Business Development Centers in all 50 states and US territories. This program provides a broad range of specialized management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information, guidance, linkages, training and counseling in easily accessible branch locations, usually affiliated with local educational institutions.

The SBDC Program is designed to deliver up-to-date counseling, training and technical assistance in all aspects of small business management. SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies.

To Find your local SBDC: <http://www.sba.gov/sbdc/sbdcnear.html> or contact your district office VBDO.

F. SCORE "Counselors to America's Small Business"

SCORE is the best source of free and confidential small business advice to help you build your business—from idea to start-up, to success. The SCORE Association, headquartered in Washington, D.C., is a nonprofit association dedicated to entrepreneurial education and the formation, growth and success of small businesses nationwide.

More than half of SCORE's extensive, national networks of 10,500 retired and working volunteers are Veterans, and they are experienced entrepreneurs and corporate manager/executives. They have worn the uniform and they have succeeded in business. They provide free business counseling and advice as a public service to all types of businesses, in all stages of development. SCORE is a resource partner with the U.S. Small Business Administration, and a resource asset for you.

- SCORE offers Ask SCORE email advice online at: (<http://www.score.org/>). Some SCORE e-counselors specifically target Veterans, Service-Disabled Veterans and Reserve Component members.
- Face-to-face small business counseling at 389 chapter offices.
- Low-cost workshops and seminars at 389 chapter offices nationwide.
- A great on line web based network.

SCORE is a nonprofit organization, which provides small business counseling and training under a grant from the U.S. Small Business Administration (SBA). SCORE members are successful, retired business men and women who volunteer their time to assist aspiring entrepreneurs and small business owners. There are SCORE chapters in every state.

Find your local SCORE Chapter at http://www.score.org/findscore/chapter_maps.html

G. Women's Business Centers

The Office of Women's Business Ownership provides women-focused (men are eligible as well) training, counseling and mentoring at every level of entrepreneurial development, from novice to seasoned entrepreneur, through representatives in the SBA district offices and nationwide networks of women's business centers (WBCs) and mentoring roundtables. Additionally, WBCs provides online training, counseling and mentoring.

Women's Business Centers represent a national network of more than 80 educational centers designed to assist women start and grow small businesses. WBCs operate with the mission to level the playing field for women entrepreneurs, who face unique obstacles in the world of business. To find your local WBC: <http://www.sba.gov/wbc.html>

H. Financial Assistance

SBA administers three separate, but equally important loan programs. The Agency sets the guidelines for the loans while our partners (Lenders, Community Development Organizations, and Micro lending Institutions) make the loans to small businesses. SBA backs those loans with a guaranty that will eliminate some of the risk to our lending partners. The Agency's Loan guaranty requirements and practices can change as Government alters its fiscal policy and priorities to meet current economic conditions. Therefore, past policy cannot always be relied upon when seeking assistance in today's market.

The loan guaranty which SBA provides transfers the potential risk of borrower non-payment, up to the amount of the guaranty, from the lender to SBA. Therefore, when a business applies for an SBA Loan, they are actually applying for a commercial loan, structured according to SBA requirements, but provided by our cooperating lending partner, which receives an SBA guaranty.

Basic 7(a) Loan Guaranty

The 7(a) Loan Guaranty Program serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels.

Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets. SBA does target Veterans specifically in some of our loan programs. To find out more, visit <http://www.sba.gov/financing/sbaloan/7a.html>, or contact your district office, or any of the Centers or Chapters mentioned previously.

Certified Development Company 504 Loan Program

The Certified Development Company-504 loan program (CDC/504) loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

Microloan Program

Microloan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$13,000. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

Terms, Interest Rates, and Fees:

The maximum term allowed for a microloan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. The maximum loan amount is \$35,000, however, the average loan amount is around \$13,000. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury. Generally these rates will be between 8 eight percent and thirteen percent.

International Trade

The Office of International Trade works in cooperation with other federal agencies and public- and private-sector groups to encourage small business exports and to assist small businesses seeking to export. Through 16 U.S. Export Assistance Centers, SBA district offices and a variety of service-provider partners, we direct and coordinate SBA's ongoing export initiatives in an effort to encourage small businesses going global.

I. SBA's Investment Programs

In 1958 Congress created The Small Business Investment Company (SBIC) program. SBICs, licensed by the Small Business Administration, are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy.

All SBICs are profit-motivated businesses. A major incentive for SBICs to invest in small businesses is the chance to share in the success of the small business if it grows and prospers.

Equity (venture) capital or financing is money raised by a business in exchange for a share of ownership in the company. Ownership is represented by owning shares of stock outright or having the right to convert other financial instruments into stock of that private company. Two key sources of equity capital for new and emerging businesses are angel investors and venture capital firms.

Typically, angel capital and venture capital investors provide capital unsecured by assets to young, private companies with the potential for rapid growth. Such investing covers most industries and is appropriate for businesses through the range of developmental stages. Investing in new or very early companies inherently carries a high degree of risk. But venture capital is long term or “patient capital” that allows companies the time to mature into profitable organizations.

Surety Bond Guarantee Program

The Surety Bond Guarantee (SBG) Program was developed to provide increased bonding opportunities to small Veteran and minority contractors to support contracting opportunities for which they would not otherwise bid. If your small construction, service or supply company bids or performs projects requiring surety bonds, the U.S. Small Business Administration has a program that could help make you more competitive.

Small business contractors and manufacturers can overcome challenges they face in winning government or private contracts by using the SBA’s Surety Bond Guarantee Program. A surety bond is a three-way agreement between the surety company, the contractor and project owner. The agreement with the SBA guarantees the contractor will comply with the terms and conditions of the contract. If the contractor is unable to successfully perform the contract, the surety assumes the contractor’s responsibilities and ensures that the project is completed.

The SBA Surety Bond Guarantee Program covers four types of major contract surety bonds:

- **Bid Bond** – guarantees the project owner that the bidder will enter into the contract and furnish the required payment and performance bonds.
- **Payment Bond** – guarantees the contractor will pay all persons who furnish labor, materials, equipment or supplies for use on the project.
- **Performance Bond** – guarantees the contractor will perform the contract in accordance with its terms, specifications and conditions.
- **Ancillary Bond** – bonds that are incidental and essential to the performance of the contract.

The overall surety bond program has two programs:

- **The Prior Approval Program** – The SBA guarantees 80 or 90 percent of a surety’s loss. Participating sureties must obtain SBA’s prior approval for each bond.
- **The Preferred Surety Bond Program** – Selected sureties receive a 70 percent guarantee and are authorized to issue, monitor and service bonds without the SBA’s prior approval.

Program eligibility requirements

In addition to meeting the surety company’s bonding qualifications, you must qualify as a small business concern, as defined by SBA. For federal prime contracts, your company must meet the small business

size standard for the North American Industry Classification System (NAICS) Code that the federal contracting officer specified for that procurement. For more information about the Surety Bond Guarantee Program, visit <http://www.sba.gov/osg/>

J. Business Planning and Disaster Assistance For Small Businesses who Employ or are Owned by Military Reservists

All of the technical assistance programs referenced above can provide pre and post mobilization business counseling and planning assistance to any Reservist who owns their own business or to the business they work for. We also offer assistance to the caretaker of the business who may manage the business while the reservist is activated.

Our Office of Disaster Assistance also offers the Military Reservist Economic Injury Disaster Loan (MREIDL) program at very favorable rates and terms. The purpose of the MREIDL is to provide funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist. These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations as they mature until operations return to normal after the essential employee is released from active military duty. The purpose of these loans is not to cover lost income or lost profits. MREIDL funds cannot be used to take the place of regular commercial debt, to refinance long-term debt or to expand the business. Contact your district office or visit: http://www.sba.gov/disaster_recov/loaninfo/militaryreservist.html

K. Government Procurement

The Office of Government Contracting (GC) works to create an environment for maximum participation by small, disadvantaged, woman, Veteran and Service-Disabled Veteran-owned small businesses in federal government contract awards and large prime subcontract awards. GC also advocates on behalf of small business in the federal procurement arena.

The federal government purchases billions of dollars in goods and services each year. To foster an equitable Federal procurement policy, it is the policy of the Congress and it is so stated in the Small Business Act, that all small businesses shall have the maximum practicable opportunity to participate in providing goods and services to the Government. To ensure that small businesses get their fair share of Federal procurements, the President has established an annual 23 percent Government-wide procurement goal to small business concerns, small businesses concerns owned and controlled by service disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and small business concerns owned and controlled by women. The individual program goals are: 5 percent of prime and subcontracts for small disadvantaged businesses; 3 percent of prime and subcontracts for Hubzone businesses; and 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses. The SBA negotiates annual procurement preference goals with each Federal agency and reviews each agency's results. The SBA is responsible for ensuring that the statutory government-wide goals are met in the aggregate. In addition, large business prime contractors are statutorily required to establish subcontracting goals for veteran-owned small businesses as part of each subcontracting plan submitted to the Government in response to a prime Federal contract opportunity.

GC administers several programs and services that assist small businesses in meeting the requirements necessary to receive government contracts, either as prime contractors or subcontractors. These include the Certificate of Competency, the Non-Manufacturer Rule Waiver, and the Size Determination programs. The office also oversees special initiatives such as the Women's Procurement program, the Veteran's Procurement program, the Procurement Awards program, and the Annual Joint Industry/SBA Procurement Conference.

Resources and Opportunities – Contact your local SBA district office or visit:
<http://www.sba.gov/GC/indexwhatwedo.html>

Federal Agency Procurement Forecast: <http://www.sba.gov/GC/forecast.html>

L. SBA Contacts and Representatives:

Subcontracting Opportunities Directory Contains a listing of Prime Contractors doing business with the federal government: <http://www.sba.gov/GC/indexcontacts-sbsd.html>

Procurement Technical Assistance Centers (PTACS)

The Defense Logistics Agency, on behalf of the Secretary of Defense, administers the DoD Procurement Technical Assistance Program (PTAC). PTA Centers are a local resource available that can provide assistance to business firms in marketing products and services to the Federal, state and local governments. <http://www.dla.mil/db/procurem.html>

Procurement Center Representatives

SBA's Procurement Center Representatives (PCR), who are located in area offices, review and evaluate the small business programs of federal agencies and assist small businesses in obtaining federal contracts and subcontracts.

TPCR – Traditional Procurement Center Representative – TPCRs increase the small business share of Federal procurement awards by initiating small business set-asides, reserving procurements for competition among small business firms; providing small business sources to Federal buying activities; and counseling small firms.

BPCR – Breakout Procurement Center Representative – BPCRs advocate for the breakout of items for full and open competition to effect savings to the Federal Government.

CMRs – Commercial Marketing Representatives - CMRs identify, develop and market small businesses to large prime contractors and assist small businesses in identifying and obtaining subcontracts.

Contact your local SBA district office or visit: <http://www.sba.gov/GC/pcr.html>

M. Office of Small and Disadvantaged Business Utilization

The OSDBUs offer small business information on procurement opportunities, guidance on procurement procedures, and identification of both prime and subcontracting opportunities. OSDBUs also have Veteran Small Business Representatives. If you own, operate or represent a small business, you should contact the Small Business Specialists for marketing assistance and information. The Specialists will advise you as to what types of acquisitions are either currently available or will be available in the near future.

Contact your local SBA Office or visit site: <http://www.osdbu.gov/Listofmembers.htm>

N. GC Programs

Section 8(a) Program/Small Disadvantaged Business Certification Program

The SBA administers two particular business assistance programs for small disadvantaged businesses (SDBs). These programs are the 8(a) Business Development Program and the Small Disadvantaged Business Certification Program. While the 8(a) Program offers a broad scope of assistance to socially

and economically disadvantaged firms, SDB certification strictly pertains to benefits in Federal procurement. Companies which are 8(a) firms automatically qualify for SDB certification.

Contact your local SBA Office or visit: <http://www.sba.gov/8abd/>

Small Disadvantaged Business

While the 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms, SDB certification strictly pertains to benefits in federal procurement. SBA certifies SDBs to make them eligible for special bidding benefits. Evaluation credits available to prime contractors boost subcontracting opportunities for SDBs. We have become, in effect, the gateway to opportunity for small contractors and subcontractors.

Qualifications for the program are similar to those for the 8(a) Business Development Program. A small business must be at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals. African Americans, Hispanic Americans, Asian Pacific Americans, Subcontinent Asian Americans, and Native Americans are presumed to qualify. Other individuals can qualify if they show by a "preponderance of the evidence" that they are disadvantaged. All individuals must have a net worth of less than \$750,000, excluding the equity of the business and primary residence. Successful applicants must also meet applicable size standards for small businesses in their industry.

HUBZone Empowerment Contracting Program

The HUBZone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas. A principal office can be different from a company headquarters, as explained in our section dedicated to Frequently Asked Questions.

Contact your local SBA Office or visit: <https://eweb1.sba.gov/hubzone/internet/>

Service-Disabled Veteran-Owned Small Business Concern Program

website: <http://www.sba.gov/gc/indexprograms-vets.html>

On May 5, 2004, the U.S. Small Business Administration (SBA) issued regulations in the Federal Register as an Interim Final Rule implementing Section 36 of the Veterans Benefits Act of 2003 (Public Law 108-183).

Section 308 of PL 108-183, amended the Small Business Act to establish a procurement program for Small Business Concerns (SBCs) owned and controlled by service-disabled veterans. This procurement program provides that contracting officers may award a sole source or set-aside contract to service-disabled veteran business owners, if certain conditions are met.

Finally, the purpose of this procurement program is to assist agencies in achieving the 3 percent government-wide goal for procurement from service-disabled veteran-owned small business concerns.

O. Important Definitions

- Veteran – a person who served in the active military, naval, or air service, and who was discharged or released under conditions other than dishonorable.
- Service-Disabled Veteran – a person with a disability that is service-connected which was incurred or aggravated in line of duty in the active military, naval, or air service.

- Service-Disabled Veteran with a Permanent and Severe Disability – a veteran with a service-connected disability that has been determined by the U.S. Department of Veterans Affairs to have a permanent and total disability for purposes of receiving disability compensation or a disability pension.
- Permanent Caregiver – a spouse, or an individual 18 years of age or older, who is legally designated, in writing, to undertake responsibility for managing the well-being of a service-disabled veteran, to include housing, health and safety.

Service-Disabled Veteran-Owned Small Business Contracts

SDVO contracts are contracts awarded to an SDVO SBC through a sole source award or a set-aside award based on competition restricted to SDVO SBCs. The contracting officer for the contracting activity determines if a contract opportunity for SDVO competition exists.

SDVO SBC Set-Aside Contracts:

The contracting officer may set-aside acquisitions for SDVO SBCs if:

- the requirement is determined to be excluded from fulfillment through award to Federal Prison Industries, Javits Wagner-O'Day, Orders under Indefinite Delivery Contracts, Orders against Federal Supply Schedules, Requirements currently being performed by 8(a) participants, and Requirements for commissary or exchange resale items.
- the requirement is not currently being performed by an 8(a) participant, and unless SBA has consented to release of the requirement from the Section 8(a) Program
- SBA has not accepted the requirement for performance under the 8(a) authority, unless SBA has consented to release of the requirement from the Section 8(a) Program
- there is a reasonable expectation that at least two responsible SDVO SBCs will submit offers
- the award can be made at a fair market price

SDVO SBC Sole Source Contracts:

A contracting officer may award a sole source contract to a SDVO SBC if the contracting officer determines that none of the SDVO SBC set-aside exemptions or provisions apply and the anticipated award price of the contract, including options, will not exceed:

- \$5.5 million for manufacturing requirements
- \$3.5 million for all other requirements
- the SDVO SBC is a responsible contractor able to perform the contract
- award can be made at a fair and reasonable price

SDVO SBC Simplified Acquisition Contracts:

If a requirement is at or below the simplified acquisition threshold, a contracting officer may set-aside the requirement for consideration among SDVO SBCs using simplified acquisition procedures or may award a sole source contract to a SDVO SBC.

Contact your local SBA Office or visit: <http://www.sba.gov/gc/indexprograms-vets.html>

What follows is a basic synopsis of the full range of SBA programs and services, designed to help you through the process of determining if small business ownership is for you, and if after you determine you do want to establish your own small business, what steps may be appropriate for you to follow, and what services are available to help you.

Chapter 4B – National Veteran’s Business Corporation

The following information and resources will help you develop a business plan, find financing and determine if starting a franchise is your best option. This information is provided by the National Veterans Business Development Corporation., a federal contracted program for assisting veterans in starting a business or purchasing a franchise.

Many service members never consider small business ownership as a career when they transition out of the military, but you may discover that entrepreneurship is just the path for you.

A. What Does it Take to be an Entrepreneur?

The skills and strengths arising from military experience, such as leadership, organization, and the ability to work under pressure, lend themselves naturally to entrepreneurship, and as a result, many Veterans find themselves attracted to business ownership when they leave the military. If you are considering entrepreneurship, it is important to assess your strengths and weaknesses to determine whether you are cut out to be a business owner. Although there are no guarantees in business, successful entrepreneurs tend to share many similar characteristics. The following is a guide to help you determine if you share the entrepreneurial characteristics of other successful business owners.

Step 1: Think about why you want to be an entrepreneur

There are many reasons people take the plunge into entrepreneurship, but not all reasons are the right reasons for opening your own business. Below are the most common reasons people consider business ownership as a career.

1. You want to be your own boss

Although this is the number one reason given by new entrepreneurs when making the change from employee to self-employed, there are a few important things to consider. Without a boss watching over you, do you have the self-discipline to get things done, to do them right, and to finish them on time? Without a boss to blame, are you willing to take responsibility for mistakes and fix problems yourself? If you eliminate the demands of your boss, will you be able to handle demands from customers and clients, suppliers and vendors, partners, and even yourself?

2. You are tired of working 9 to 5

As an entrepreneur, you can usually set your own hours but that does not necessarily mean shorter hours. Many entrepreneurs are forced to put in 12-18 hours a day, six or seven days a week. Are you ready to work that hard, and is your drive for entrepreneurial success strong enough to get you through the long hours? You may be able to sleep in and work in the comfort of your home in your fuzzy slippers on occasion, but probably not initially and probably not all the time.

3. You are looking for an exciting challenge

Entrepreneurship is full of decisions that can affect your company’s success. Everyday is a new adventure, and you can learn from your mistakes as well as from your successes. Many successful entrepreneurs claim they are adrenaline junkies, motivated by the excitement of business ownership. That excitement requires risks, however, and you must know your own tolerance for risk. Entrepreneurship, as exciting as it may be, means putting everything on the line for your business. Sound too risky to you? Or maybe it sounds like just the adventure you are craving.

4. You want to make more money

Entrepreneurship can be an escape from structured pay charts and minimal growth opportunities, and, as a small business owner, your hard work directly benefits you. Despite the potential of big payoffs, however, entrepreneurs sometimes have to work months—even years—before they begin to see those profits. Oftentimes, entrepreneurs take a pay cut when they start out on their own. Are you willing to sacrifice your current level of pay until your business becomes a success?

5. You really want to become an entrepreneur

This is perhaps the most important reason people should enter entrepreneurship. Entrepreneurship takes time, energy, and money, but it also takes heart. It must be something you want to do in order to succeed because it takes drive and motivation, even in the face of setbacks. If you are considering entrepreneurship just because you haven't found anything else that suits you, make sure you are honest with yourself about whether or not you are ready to be an entrepreneur.

Step 2: Assess your skills

Do your skills apply to entrepreneurial success? Many of the skills needed in entrepreneurship are those gained through military experience, including:

- Leadership
- Ability to get along with and work with all types of people
- Ability to work under pressure and meet deadlines
- Ability to give directions and delegate
- Good planning and organizational skills
- Problem-solving
- Familiarity with personnel administration and record keeping
- Flexibility and adaptability
- Self-direction
- Initiative
- Strong work habits
- Standards of quality and a commitment to excellence

Think about your other skills that might help you become a successful entrepreneur. Are you good with money with a strong credit history? Do you have a high energy level? Do you see problems as challenges and enjoy trying new methods for success? Listing your skills will not only help you assess yourself as an entrepreneur, but it might also tell you what kind of business you should start!

Step 3: Define your personality

Your personality often helps determine what type of work best suits you. People preferring structure might find the corporate environment most suitable while creative types might enjoy flexible jobs with relaxed policies. Like any job, there are certain types of personalities that thrive in entrepreneurship.

- Goal-oriented
- Independent
- Self-confident
- Innovative and creative
- Strong commitment
- Highly reliable
- Competitive
- Desire to work hard
- Problem solver
- Good manager
- Organized
- Honest
- Tolerance for failure, but a drive to achieve
- Idea-oriented

- Motivated by challenge
- Calculated risk-taker
- Courageous
- Persistent
- Adaptable
- Positive

Even if you do not have all of these characteristics, you can still be a great entrepreneur. Every entrepreneur is a blend of skills and strengths. Think about the skills or traits you don't have, and learn to improve them or work to overcome them on the road to entrepreneurship!

“Change is the law of life. And those who look only to the past or the present are certain to miss the future.” – John F. Kennedy, 35th President of the United States of America and Navy Veteran

B. Franchise Ownership

If you are considering business ownership but are hesitant to venture out on your own, you may want to consider becoming a franchisee, or franchise owner. Becoming a business owner can be an intimidating process, but when you purchase a franchise, you get a team of support, which includes marketing assistance, HR tools, and training. Having others who are committed to your success as a business owner and who are willing and able to help when you run into problems is just one of the many advantages to franchise ownership.

Advantages of Franchises

1. Higher rate of business success

Perhaps the number one reason people become franchise owners is because franchises have a higher likelihood of succeeding than do traditional start-up businesses. In fact, according to the U.S. Department of Commerce, 95% of franchises are still in business after five years. Franchisors (the companies who sell or grant franchises to individuals) evaluate each prospective franchisee (individual franchise owners) and invest in those they think will thrive as franchise owners for their company. They look for specific skills, experience, motivation, financial capacity and more to choose people who will be able to afford the franchise, follow the business operational model, and become successful.

2. Established brand identity

One of the key advantages of operating a franchise is the ability to give consumers a brand they know, quality they trust, and a consistency they have come to expect. Purchasing a franchise means purchasing the reputation of the brand, an established customer base, and a set of products or services that have been successfully tested in communities. While new business start-ups must work at building a reputation and generating awareness of the product or service they offer, franchises are often preceded by their reputation and can make an immediate impact.

3. The dirty work is done

Perhaps the most difficult thing new business owners face when opening a business of their own is the burden of starting from scratch. The tasks of starting a business can be lengthy and expensive. In a franchise system, however, the work has already been done to develop a product or service, identify and reach a target market, build a reputation, and create a replicable, business model. While many new business owners spend the first year (or longer!) testing products, sales tactics and marketing avenues, franchise owners already know exactly what works and how to effectively reach their target audience.

4. Business support

Business owners who start their own business take on a great deal of responsibility: they must market to new customers, provide products and services to existing customers, hire employees, and train those employees to do their jobs properly. In other words, new business owners must be sales representatives, accountants, human resource managers, marketing experts, and more. That is a lot of responsibility! While some individuals may thrive in the multiple roles business owners must take on, others need support in some or all of the aspects of business ownership. Franchisees get the support they need in the form of training and even on-site assistance. In addition, most franchisors provide human resources tools, specialized software, marketing materials, and other valuable resources that independent business owners must find or develop for themselves.

5. Easier to finance

If you are looking to start a business with less than perfect credit and need to apply for a business loan, the established history of a franchise may help you get your loan. Because new business start-ups are extremely risky, banks are often hesitant to hand out loans without a history of business management and credit management in your past. Prospective franchisees applying for a business loan have the advantage of a tested product or service, a successful business model, and a core of support from the franchisor. Banks know that franchises have a higher likelihood of success than other new businesses; as a result, it is often easier to secure a business loan for a franchise than for a business start-up.

Disadvantages of franchises

Does owning a franchise seem too good to be true? Although there are many advantages to owning a franchise, there are downsides as well. While these disadvantages may seem minor to some, they may turn others away from the notion of franchise ownership entirely. Read on to learn the negatives of franchise ownership and decide if it is the path for you.

1. Factors beyond your control

The value of a franchise lies in the value of the brand and the brand's reputation. When you purchase a franchise, you must take into account the reputation of the parent company and other branches of the franchise. If, over time, that reputation is damaged by factors beyond your control, the results on your business can be catastrophic. And because your franchise agreement is a long-term agreement, getting out of that franchise system may be more difficult than you thought.

2. High costs

Many people who pursue franchise ownership do so because they believe the costs associated with franchises will be less than those of a traditional start-up business. And for some franchises, that is true; for many others, however, the costs can soar when franchise fees, capital requirements, marketing fees, royalties and other fees add up. In fact, one of the reasons that new franchises fail is insufficient funding and a lack of working capital. There are hundreds of reputable, low-cost franchises, but you must know what to look for and be smart from the very beginning.

3. Restrictions on business

If you are going into business to be independent, creative, and entrepreneurial, franchise ownership may not be right for you. Franchises are based on previously-developed, successfully-tested business ideas and plans. Most franchisors have strict regulations on how individual franchises may operate, and deviations are rarely allowed. Franchise owners, for example, must sell a specific product or service and advertise with specific marketing materials and slogans. While this may appeal to business owners who are eager for structure and support, others may find this too regimented for their individual business style.

4. Reduced profits

One of the greatest appeals of business ownership is that you benefit personally from your hard work, and many people seek entrepreneurship as a way to increase their earnings and have greater control over their financial destiny. Franchise ownership is actually a middle step between the financial freedom of business ownership and the rigid pay structure of other jobs. As a franchise owner, your hard work will directly result in higher profits for your business, but most franchisors will require continuous monthly royalty payments equaling 5-10% of your profits.

C. Writing a Business Plan

Business plans are the face of your company, and can make the difference in whether or not you receive a loan or whether someone chooses to invest in your company. The importance of a good business plan cannot be overstated, as it defines your business, sets your objectives, and enhances your ability to make sound business decisions in line with your overall business goals. Although all business plans vary slightly, there are six primary sections that should be included in all plans.

Section 1: Executive Summary

The executive summary is perhaps the most critical part of your business plan, as it is sometimes the only section that will be read before deciding whether or not to consider your business for a loan. If a lender or investor likes what is written in the executive summary, he or she will continue reading; otherwise, you may not get another chance to impress them with your business idea. The executive summary should describe your business and highlight the key points from each section of your business plan. For example, the executive summary would not include an exhaustive list of your competitors and their products—that is for the marketing and sales section—but it would mention how your product differs from others on the market and what you have to offer that is special. The executive summary should be no more than one or two pages, and although it comes at the beginning of your business plan, it is recommended that you write this section last to ensure you highlight the most important points of each section.

Section 2: Business Opportunity

The business opportunity should answer the question, is my business idea viable? This section should first define the simple vision for your company. Provide an overview of your business, including its history, progress to date, and vision for the future. Questions to be answered in the overview of your business include: Have you started conducting business? If not, when? If so, what progress have you made? Did you acquire this business from a previous owner or start from scratch? If you acquired it, what is the history of the business previously?

Second, the business opportunity must address your product, including why it is different, why customers will buy your product, whether or not your product is already developed, and whether you hold or plan to hold any patents, copyrights, or trademarks. Questions to be answered in the overview of your product include: Have you already developed this product? If yes, have you begun selling the product, and how has it been received? If no, what are your plans and timeline for development? How is this product unique, and what are the benefits to using this product instead of a competitor's product?

Section 3: Marketing and Sales Plan

A marketing plan is critical to entrepreneurial success because it tells you who you need to reach and how you are going to reach them. Without customers, you have no business.

First, define your business and the product and/or service you are going to sell and create an overview of your market area. Identify your competition and the products or services they offer, what you can offer

that the competition does not, and how you will attract customers away from the competition. Include the price of your product, how it compares to the competition's price, and why you can offer it for less money or how you plan to attract customers despite a higher price. Finally, give an overview of how you will sell your product or service (online, face-to-face, etc.) and how that relates to the competition's sales methods.

Next, describe your customers, including their demographics, needs, patterns and preferences. Describe the size of your target market and what they will find attractive about your product opposed to products currently on the market. How does your product better respond to their needs and preferences?

Third, outline your marketing strategy by identifying the methods you will use to market your product to your customers. Will you advertise only on television? Will you place ads in the newspaper or local periodicals? Would billboards be appropriate, or should you send out bulk mailings? Include in your strategy whatever ways you see appropriate to reach your customer base, and identify what percentage of your total marketing dollars you will dedicate to each marketing method.

Last, create your marketing budget. Effective marketing is critical from the first day; otherwise, no one will know about your business! Research marketing costs in your area. If you plan to rent a billboard on the main interstate for three months, find out exactly how much it costs. Do not guess on marketing costs—research and determine the exact numbers it will take to market your product to your target audience. If costs seem too high, eliminate high-cost options or look for marketing strategies that reach fewer people overall but reach a higher number of people in your targeted customer base.

Section 4: Management Team and Personnel

It is important to demonstrate that your management team and/or staff have the skills and qualifications to handle every facet of your business. Is there evidence of expertise in marketing, finance, operations, and development? This section of your business plan should outline the structure and key skills of your staff. Define the positions of your staff, their role in the company, and a summary of each person's background, experience, and qualifications. Include the time commitment of each individual (e.g., full-time, part-time, one day a week); also include descriptions and qualifications for consultants and partners. If you have not begun hiring employees, include the structure and key skills of staff you plan to hire, a timeline for hiring, and the salaries you estimate to assign to each position. Identify recruitment and training procedures, timelines for doing so, and the costs of employee training.

Section 5: Operating Plan

Your business plan must include a section covering your operating capabilities and plans. The areas you should cover in this section include office space and location, production facilities, and information technology (IT) infrastructure.

Office space and location will include where you will house your office (e.g., in your home, an office building, etc.), the costs associated with this location, the benefits and disadvantages to being housed in that location, whether you rent or own the space, and (if you rent) the duration of your lease. If you have plans for upgrading your space or relocating, that should be included as well.

If your business requires you to create a product, you will have to include a paragraph on your production facilities. This should include whether you already have facilities and whether you plan to do your own production or outsource it to another company. It should describe the benefits and disadvantages to handling your own production versus outsourcing it, as well as the facilities you have or need, the capacity of the facilities versus anticipated demand, and whether you plan on making an investment into enhancing your production capabilities.

Finally, this section should include a description of your IT infrastructure, including the strengths and weaknesses of your system, your plans to upgrade the system, and how your system will be used as a business tool.

Section 6: Finances

The final component of your business plan should be your financial forecasts. The purpose of this section is to inform lenders and investors of how much capital you need, how secure their loans or investments are, how you plan to repay the loans, and what your projected sources of revenue and income will be. To do so, you should include detailed financial projections by month for the first year and by quarter for years two and three, as well as the assumptions upon which your projections were made, including the breakdown of anticipated costs and revenues for all three years. You should also include cash flow statements, loan applications, capital equipment and supply lists, and profit & loss statements.

“Most new jobs won’t come from our biggest employers. They will come from our smallest. We’ve got to do everything we can to make entrepreneurial dreams a reality. “
- Ross Perot, Entrepreneur and Navy Veteran

D. Financing Your Small Business

One of the most common mistakes entrepreneurs make is underestimating the costs of their business and creating a financial plan based on low cost projections. Every entrepreneur has different costs associated with his or her business. For example, establishing a home-based business will have little to no cost for acquiring office space; renting office space will entail low to moderate costs; and building an office will require a high cost. Regardless of your specific needs, every entrepreneur must take two costs into account: start-up costs and recurring costs. Start-up costs are all of the one-time costs required to start your business, such as a security deposit on office space, furniture and equipment purchase, signage, etc. Recurring costs are all of the costs you encounter monthly, such as salary and benefit expenses, insurance fees, monthly rent, etc.

Once you have determined your costs, determine whether you will need to borrow money to start your business. If so, there are several different funding options to consider. Each funding source brings with it a series of pros and cons that should be weighed in order to find a lender to meet your start-up needs.

Option 1: Banks

Banks are usually the first place people look when they want to borrow money. Banks offer a variety of loans and can often advise you as to which type of loan would be best for your needs. Some loans, for example, require you to make set payments of both the principal and interest, whereas others require you to pay back only the interest with a lump payment of the entire principal at the end. The obvious advantage of approaching banks for loans is that banks are designed for just that purpose. The downside is that if you have a bad credit history or have accumulated debt, it can be difficult to get approval for a loan at most banks. The best way to determine whether bank loans are appropriate for your needs is to do your research: locate the banks in your region, find out what types of loans they offer, and learn what requirements they have for approving loans.

Option 2: Venture Capital Firms

Venture capital firms invest in small companies in return for equity. They look for companies with the potential for high-growth and high-profitability. Although some venture capitalists will invest in companies that are just beginning, they generally seek to fund companies that have been in business for some amount of time, in order to assess progress, growth, and earned revenues. For that reason, acquiring start-up funding from venture capitalists can be very difficult; also, the earlier the stage of investment, the more equity venture capital firms require. If you are serious about acquiring venture capital funds for your business start-up, look for firms that specifically cater to business in the start-up phase. If you have a thorough, viable business plan, and your management team has extensive experience fostering rapid

growth in small businesses and creating substantial profits, you will have a much higher chance of receiving venture capital funding.

Option 3: Angel Investors

Angel investors are individuals who invest their own money in entrepreneurial ventures in return for equity. Angel investors can be persons you know or persons you don't know, and can also work as an individual or be part of an angel group. Angel investors generally invest smaller amounts of money in companies than do venture capitalists, making them an ideal source for funding when you have exhausted funding from your friends, family, and self, but are not yet ready to approach a venture capital firm.

Option 4: Partners

In some cases, funding can be secured by current or potential partners seeking a share of the business. The advantages to partner financing are that partners considering investment are already knowledgeable about the business idea and have confidence in its future, and the approval process may be easier than with a bank or lending firm. The decision you as an entrepreneur must make is whether or not you are willing to give up a portion of your company in order to obtain this funding, or whether you would rather go to banks or other lenders and maintain your control?

Option 5: Friends & Family

Many people warn against the risks of borrowing money from friends and family, but there are also benefits to acquiring loans this way, and it is an extremely popular source of funding for small businesses. Friends and family already know you, your character, and your history of credit, debt, and financial management. Nevertheless, even friends and family considering making a loan should ask to see a business plan to make sure it is well thought out. The terms on which you must pay back loans from friends and family will likely be more relaxed, and they may not demand interest on the repayment of the loan. The obvious downside to borrowing from friends and family is the potential inability to repay the loan, damaging not only your finances but their finances and the relationships you share with those individuals.

Option 6: Self-Financing

Self-financing is the most popular form of financing for small business owners, and it can serve to be extremely advantageous when you approach other lenders. By investing your own money and assets into your business, it demonstrates your faith that your business will succeed. Different forms of self-financing include borrowing against your retirement fund, taking out personal lines of credit, and utilizing a home equity loan. The disadvantage to financing your business this way is that if your business flounders and you are unable to repay the money, you can lose a lot more than your business. Before putting your home on the line for your business or risking your personal credit history, carefully consider whether self-financing is the right option for you.

E. Entrepreneurship Resources

The Veterans Corporation

The National Veterans Business Development Corporation, doing business as The Veterans Corporation, is a Federally-chartered 501(c)(3) organization that was created by Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. This Act recognized that America "has done too little to assist Veterans...in playing a greater role in the economy of the United States". The Corporation is charged with creating and enhancing entrepreneurial business opportunities for Veterans, including Service-Disabled Veterans. Toward this mission, TVC provides Veterans with the tools and resources they need to be successful in business, including:

- Access to Capital
- Access to Business Services
- Entrepreneurial Education
- Surety Bonding
- Insurance and Prescription Coverage
- Veterans Business Directory

Contact TVC toll-free at 866-283-8267 or on the web at <http://www.veteranscorp.org>.

Small Business Administration (SBA)

The primary federal agency providing financial and business development assistance to small firms and aspiring entrepreneurs is the U.S. Small Business Administration, an independent agency chartered in 1953. SBA encourages participation by qualified veterans in all of its various financial and business development programs. A variety of special outreach programs for veterans are coordinated by SBA's Office of Veterans Business Development (OVBD), established for this and other purposes pursuant to Public Law 106-50. OVBD supports Veteran Business Outreach Centers and it further leverages its resources and extends its outreach efforts throughout the Nation by the use of designated Veteran Business Development Officers in each of SBA's 70 district offices. SBA provides financial assistance, business development counseling, procurement assistance and other support to Veteran entrepreneurs.

Contact SBA toll free at 800-827-5722 or on the web at <http://www.sba.gov>.

Center for Veterans Enterprise (CVE)

The Department of Veterans Affairs established the Center for Veterans Enterprise (CVE) in 2001. CVE is dedicated to helping Veterans succeed in business and specializes in assisting with procurement opportunities. To help coordinate prime and subcontracting business opportunities with Veterans for Government and private-sector buyers, CVE maintains an electronic business registry. All veteran entrepreneurs, including reservists and members of the National Guard who have been called to active duty of any duration, are encouraged to register their firms and capabilities in this database which is called the VETBiz Vendor Information Pages (VIP). In addition to procurement assistance, CVE provides business coaching, networking, outreach, and other business assistance to Veterans.

Contact CVE toll free at 866-584-2344 or on the web at <http://www.vetbiz.gov>.

SCORE

Score is a 501(c)(3) nonprofit organization headquartered in Washington D.C. that provides a public service to America by offering small business advice and training. Score was formed in 1964 to help small businesses flourish, and Score now has more than 10,000 volunteers who can assist business owners with more than 600 business skills. Volunteers are working or retired business owners, executives, and corporate leaders who share their wisdom and lessons learned in business. As a result, SCORE "Counselors to America's Small Business" is America's premier source of free and confidential small business advice for entrepreneurs. To date, SCORE has helped more than 7.5 million small businesses through face-to-face small business counseling, low-cost workshops nationwide, and online support and business guidance.

Contact SCORE toll free at 800-634-0245 or on the web at <http://www.score.org>.

Association of Small Business Development Centers (ASBDC)

The mission of the Association of Small Business Development Centers is to represent the collective interest of our members by promoting, informing, supporting and continuously improving the SBDC network, which delivers nationwide educational assistance to strengthen small/medium business

management, thereby contributing to the growth of local, state and national economies.

The Association of Small Business Development Centers (ASBDC) is a partnership program uniting private enterprise, government, higher education and local nonprofit economic development organizations. ASBDC is dedicated to the sound development of small business throughout America. Founded in 1979, the ASBDC provides a vehicle for continuous improvement of the Small Business Development Center program, exchange of information among members regarding objectives, methods and results in business management and technical assistance and advocacy of America's small business community. Over 500,000 businesses are assisted by ASBDC member programs on an annual basis. A sizeable number of them are in the dynamic start-up mode, while most are existing businesses searching for stability of planning for growth. The mission of ASBDC is to continuously improve the SBDC network, which delivers nationwide educational assistance to strengthen small/medium business management, thereby contributing to the growth of local, state and national economies.

Contact ASBDC by phone at 703-764-9850 or on the web at <http://www.asbdc-us.org>.

International Franchise Association (IFA)

The International Franchise Association, founded in 1960, is a membership organization of franchisors, franchisees and suppliers. IFA's website is dedicated to providing members and guests with a one-stop shopping experience for franchise information. For more than 40 years, the International Franchise Association has protected, enhanced, and promoted franchising worldwide. IFA is the official "Spokesperson for Responsible Franchising." Franchisors join for the legislative, educational and networking benefits available as an IFA member. IFA's government and public relations programs are designed to educate and influence public policy makers, and to reduce or eliminate regulations that threaten responsible franchise development. IFA provides information necessary to stay abreast of the changes facing the global franchise community through our educational programs, annual convention, legal symposium, and regional and local meetings. For Veterans, IFA's Veterans Transition Franchise Initiative program is comprised of more than 100 franchise companies that offer Veterans financial incentives to buy and operate their franchises.

Contact IFA by phone at 202-628-8000 or on the web at <http://www.franchise.org>.