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Access to Capital: Be Prepared to Secure Additional Support for Your Company

The Coalition for Veteran Owned Business (CVOB)

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CVOB COALITION FOR VETERAN OWNED BUSINESS
Enhancing veteran- and military family-owned business success

ACCESS TO CAPITAL

Be Prepared to Secure Additional Support for Your Company

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First Data.

SEPTEMBER 2017

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About The Institute for Veterans and Military Families (IVMF)

The Institute for Veterans and Military Families (IVMF) is the first interdisciplinary national institute in higher education focused on the social, economic, education, and policy issues impacting veterans and their families. Through its professional staff and experts, the IVMF delivers leading programs in career, vocational, and entrepreneurship education and training, while also conducting actionable research, policy analysis, and program evaluations. The IVMF also supports communities through collective impact efforts that enhance delivery and access to services and care. The Institute, supported by a distinguished advisory board, along with public and private partners, is committed to advancing the lives of those who have served in America's armed forces and their families. For more information, visit **ivmf.syracuse.edu**.

First Data.

About First Data

First Data (NYSE: FDC) is a global leader in commerce-enabling technology and solutions, serving approximately six million business locations and 4,000 financial institutions in more than 100 countries around the world. The company's 24,000 owner-associates are dedicated to helping companies, from start-ups to the world's largest corporations, conduct commerce every day by securing and processing more than 2,800 transactions per second and $2.2 trillion per year.

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Introduction

Access to Capital was prepared by the Coalition for Veteran Owned Business (CVOB) managed by the Institute for Veterans and Military Families (IVMF) at Syracuse University (SU). In partnership with First Data, this booklet aims to guide you through the process of securing financial support, goods, assets, and production for your business. With resources and support cited throughout this guide, we hope you can find success in your venture.

Laying the Foundation

LEAN MARKET VALIDATION

Before investing money in a business, you need to do the necessary research to see if there is a market for your idea. Validating the demand of your product is the important first step to starting a business. Lean market validation is a low cost or even free process to confirm that real customers have a need for your product.

There are many guides for Lean Market Validation, but all have the same basic elements.

- A IDENTIFY YOUR CONCEPT – First, you need to identify a problem, who your customers are, and how you your product and its features will solve the problem. Avoid niche problems that may be low priorities for potential customers.
- B FIND LIKE PRODUCTS – Identify shortcomings within the current products available to customers. Ensure that your product does not make the same mistakes as its predecessors.
- C SHARE YOUR IDEA – If you are committed to an idea, you will see it through. Start by sharing with trusted members of your networks, but be weary they may not give very honest feedback. Strangers will not hesitate to give frank criticism or praise to help refine your idea. Start by sharing your ideas with trusted members of your networks. Be weary that many family and friends they may be hesitant to give negative feedback. Acquaintances will be more forthcoming with criticism or praise to help refine your idea.

THE BUSINESS PLAN

A well-developed business plan is your 'admittance ticket' to a host of funding options that await for your small business! Your thorough business plan can easily become a financial proposal, which opens up access to different forms of capital. A good business plan projects 3-5 years ahead. It is important for several reasons:

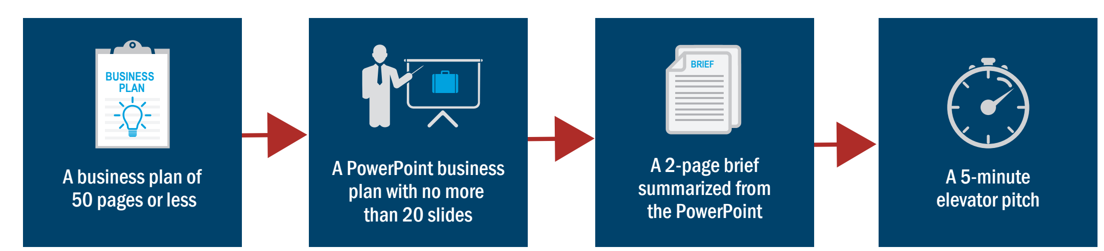
- A The work involved in creating a business plan forces you to take an objective look at your business project and road test your ideas.
- B It is a working tool, which you can consistently use in managing and operating your business.
- C Your business plan will outline the goals, milestones, and projections that your company intends to reach, which will help your business remain on the right track!
- D Your business plan will allow you to effectively communicate your business ideas to all stakeholders and potential sources of capital.

Always keep in mind that your business plan will always be a living, breathing document, reach, which will help your continually monitored and updated as your business grows.

THE BUSINESS PITCH

Have you practiced your business pitch? The perfect business pitch should last up to five minutes and clearly communicate your business plan and financial needs to potential investors. Your business pitch should capture the essentials of your business plan and outline your financial projections. Business pitches present facts to lenders, investors and other sources of capital that are looking for well thought out, concise business ideas to fund.

Business experts suggest preparing different versions of your business pitch for potential investors. Each of those pitches should clarify your proposed use of funds, use clear language throughout, and ensure that you clarify what you are asking of your potential lender or investor.



THE 5 C'S OF CREDIT

Understanding thes 5 C's of credit will prepare you to approach banks and other lenders. Many institutions are looking at the 5 C's in order to approve a loan for a small business owner. 5 C's are: capacity, capital, collateral, conditions and character.

CAPACITY	▶ Describes the borrower's financial capacity to repay the loan. Most lending institutions will want to analyze past cash flow generated by a business in order to ensure that they can keep up with loan payments.
CAPITAL	▶ Is your own investment in the business project? By looking at this, a bank can assess your ability to overcome financial obstacles. Capital might describe your initial cash investment, retained earnings or other assets you have in your business.
COLLATERAL	▶ The lending instution has to protect itself in case the borrower cannot repay the loan. Collateral that can easily be liquidated is often preferred.
CONDITIONS	▶ A subjective description of how the economic and regulatory environment might influence your company. If the competitive market suddenly changes, lending institutions want to assess how your ability to repay loans may be affected. As a part of evaluating the lending conditions, banks might also compare your company to similar companies.
CHARACTER	▶ Indicates the borrower's willingness and ability to actually pay back the loan. To get a good picture of your integrity, lending institutions want to look at your personal credit history, personal financial strength, and relevant work experience. Your measure of character is an important factor that banks use to decide if you are reliable enough to lend to.

HAVE MORE QUESTIONS? CHECK OUT THESE ADDITIONAL RESOURCES.

- Visit www.sba.gov.
- Read *The Nuts and Bolts of a Business Plan* by Alexander McKelvie Ph.D.
- Read *How To Pitch and Get Funded* by by Caroline Cummings.
- Visit SCORE for available training.

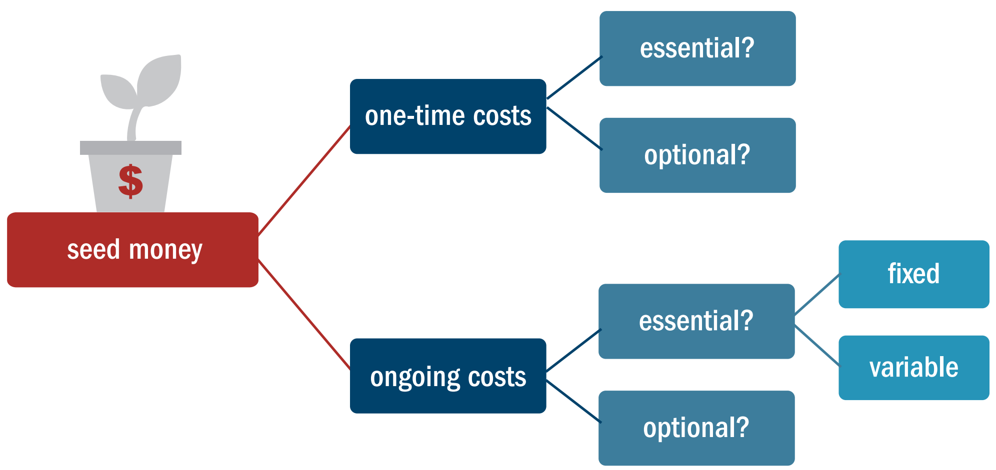
Managing Start-Up Costs and Priorities

Now that you have created a plan, you need to determine how those financial resources will be used. In all cases, however, it is critical to determine how much start-up money your business will require. Keep accurate records of your start-up costs for your benefit. Furthermore, a thorough and efficient budget will open the door to investors and other sources of funding.

ALLOCATING SEED MONEY

The money needed to grow your business from the ground up is called seed money. This is the earliest investment made into your company until it can generate cash by itself, or until further investments are needed. Some of these expenses may be one-time costs (ie. the price of a sign for your building or office furniture) or on-going costs (ie. utilities, insurance). When evaluating all of these costs, it is important to ask whether they are essential expenses or optional expenses. An achievable start-up budget should only include essential costs.

After deciding which expenses are necessary for your business, your budget can also separate ongoing costs into fixed vs variable expenses. A budget that shows how cash flow may change over time will help you prioritize costs in your budget. Fixed expenses are recurring expenses that will always be the same amount (ie. rent or administrative costs). Variable expenses are also ongoing costs; however, they may change over time, as they are generally associated with the direct sale of a product or service (ie. shipping and packaging costs, storage). It is important to do thorough research on what these costs will be ahead of time.



HAVE MORE QUESTIONS? TAKE A LOOK AT THESE RESOURCES.

- Download “Startup costs and 90 day cash needs worksheet” on bizfilings.com
- Visit “Estimating Startup Costs” under Starting a Business on sba.gov
- Find Local IRS Workshops on small business budget/taxes on irs.gov

HIRING AND PAYING EMPLOYEES

Once you’ve allocated seed money and your small business is growing steadily, then you may be ready to hire employees. All business owners want motivated and committed employees, but to achieve that, you must look for the right candidates. Well-written job descriptions should accurately describe the company’s needs, as well as the benefits to a potential employee. Hiring, training, and keeping motivated and skilled employees is an instrumental part of your business’ growth and success.

It is important to follow federal and state hiring regulations so that both you and your employees remain satisfied with the working relationship. Even if your employees are friends or family members, your working relationship should be protected by the law. Keeping records with the IRS and accounting software like Intuit QuickBooks can help you. Here are some important steps you need to take:

HIRING AND PAYING EMPLOYEES

- Obtain an Employer Identification Number (EIN)*
- Set up records for witholding taxes
- Employee eligibility verification
- Register with your state's New Hire Reporting Program
- Obtain workers' compensation insurance
- Post required notices
- File your taxes
- Get organized and set up recordkeeping

**The EIN should be obtained upon the formation of your business, not just when you are ready to start hiring employees.*

HAVE MORE QUESTIONS? LOOK AT THESE RESOURCES.

- For more information on hiring and paying employees, check out sba.gov
- IRS Information on Securing Employee Records
- *Hiring for Attitude* by Mark Murphy

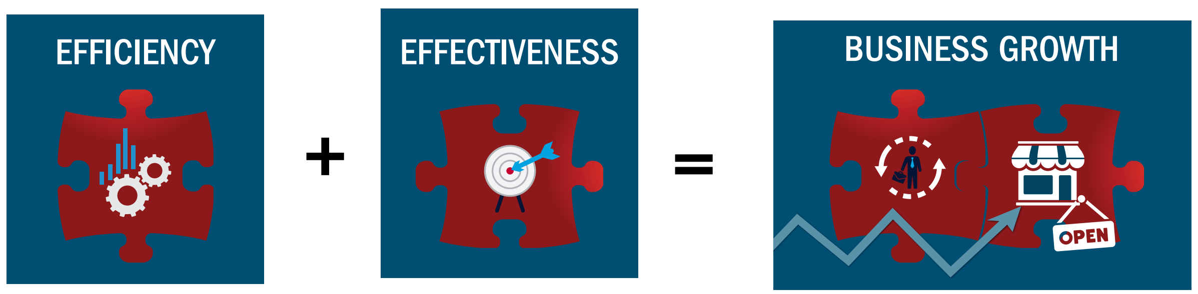
COST OF MATERIALS

Every entrepreneur must plan for the cost of the materials that they will be using. There are two types of materials: direct materials and indirect materials. A direct material is an object capable of being traced and used to manufacture a product. An example of such would be the steel used while producing automobiles. An indirect material is an object used in manufacturing processes that is not an integral part of the product. Examples of indirect materials are lubricating oils and tools.

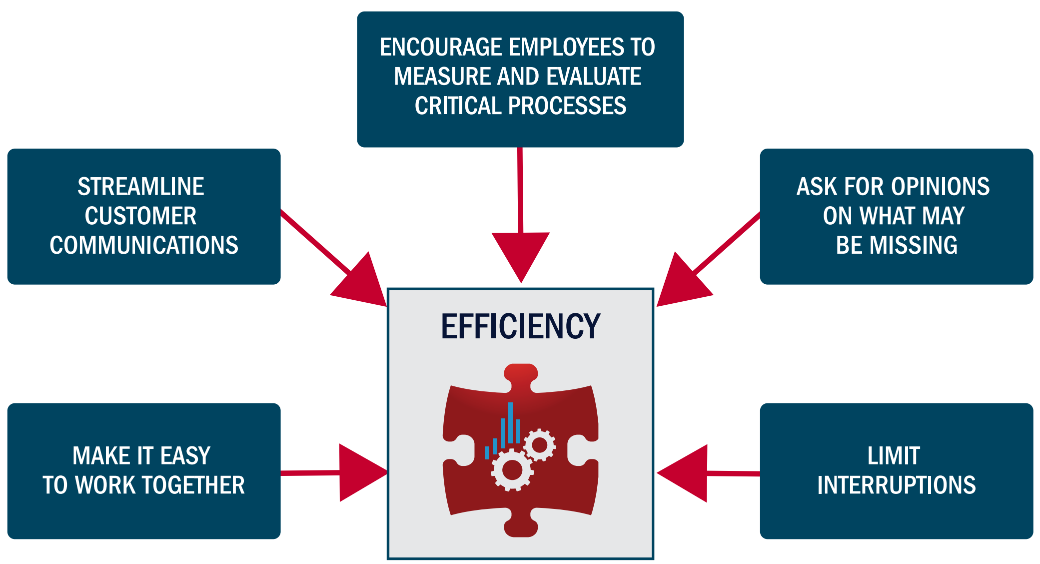
It is of great importance that an entrepreneur takes both of these materials into account when writing up their initial business plan. Investing too much into materials could possibly prevent money from going elsewhere in the business where it is needed.

EFFICIENCY AND EFFECTIVENESS IN BUSINESS

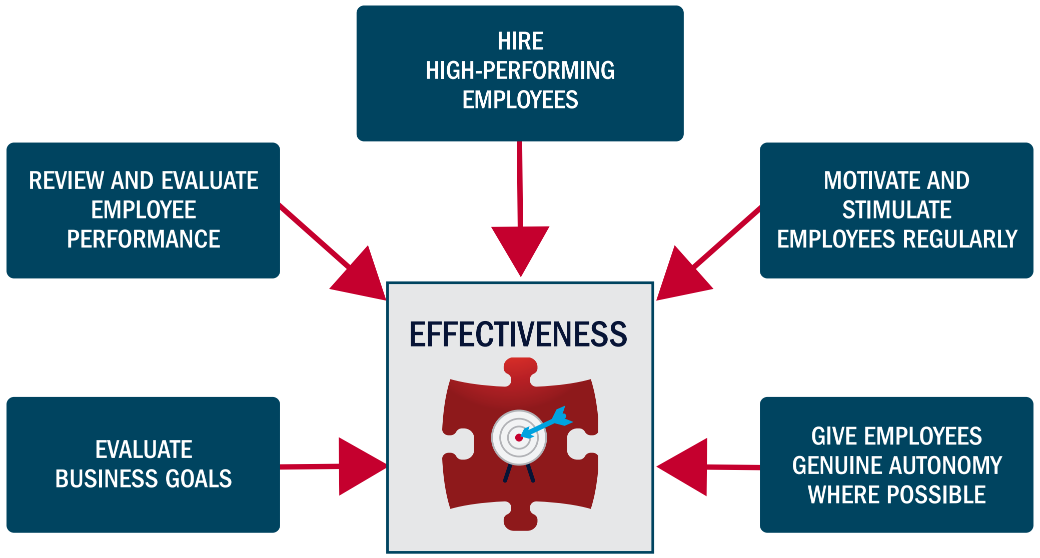
Business owners who want their business to progress, need to leverage both efficiency and effectiveness in order to provide a high quality product or service in a quick amd well organized manner. When used together in business, the results can be more satisfying and more rewarding.



Efficiency in the workplace is primarily a measure of output. Efficient methods of production are able to produce an end result, product or project (output) in high quantities while using the least amount of resources possible. Efficient work is innovative and intelligent, seeking to streamline communication and minimize waste. Efficiency functions as a result of time and resource management in the workplace.



Effectiveness, on the other hand, describes the quality of results produced in the workplace. Effective methods of production consistently meet business standards. Effectiveness in business can help to create loyal customers, beat competition, and attract investors.



It takes work to improve efficiency and effectiveness in business, because both processes involve many different pieces. By specifically targeting areas of weakness in efficiency and effectiveness, entrepreneurs can accomplish their business goals.

HAVE MORE QUESTIONS? TAKE A LOOK AT THESE RESOURCES.

- “10 Tips to Improve Business Efficiency” by Briana Morgaine
- “Business Efficiency for Dummies Cheat Sheet” by Marina Martin
- “Three Secrets of Organizational Effectiveness” by Jesse Newton and Josh Davis
- “What is the Difference Between Efficiency and Effectiveness in Business” by Chris Miksen

Accessing Resources

It is important to reach out to networks, organizations, and other resources that can provide financial and non-financial support for your business. The U.S. Small Business Administration (SBA) works with a number of local partners to counsel, mentor, and train small businesses.

In addition, Small Business Development Centers (SBDCs) all over the United States and U.S. territories provide small business owners with free business consulting and affordable training services for various business needs. Small business owners often receive guidance from their local SCORE chapter, which hold online and in-person workshops, as well as providing further mentorship. The SCORE foundation also offers the “Veterans Fast Launch” Initiative, which provides veteran small business owners with a directory of volunteer CPAs that can help veterans with their accounting plans. Make sure to do your research on the networks that are available to you!

There are a number of resources catered specifically to veteran business owners. Organizations like the Institute for Veterans and Military Families, Bunker Labs, VetToCEO, Patriot Boot Camp, and the Small Business Administration’s Office of Veterans Business Development are dedicated to supporting the country’s nearly 2.5 million veteran owned businesses. They offer a range of programs, events, and resources that can benefit any veteran entrepreneur.

RESOURCES AVAILABLE, SPECIFIC TOWARDS STARTING YOUR BUSINESS:

BUSINESS INCUBATORS AND ACCELERATORS

Business incubators and accelerators exist to nurture and grow small businesses that are in the early stages of development. They provide growing businesses with entrepreneurial support, support and access to networks filled with like-minded individuals. Incubators and accelerators have different goals and purposes, so it is important to understand which may best suit your small business needs.

INCUBATORS

- non-profit organizations and for-profit firms
- serve all types of small businesses
- can assist a business from 1-5 years
- do not invest in a company, but may help them seek external financing options
- usually target local startups
- provide office space

ACCELERATORS

- for-profit organizations
- generally serve start-ups and fast-growing
- technology coompanies
- assist through 1- to 3-month boot camps
- can often invest up to $25, 000 and generally takes equity
- do not provide office space

WANT TO FIND BUSINESS INCUBATORS AND ACCELERATORS IN YOUR AREA? CHECK OUT THESE ASSOCIATIONS:

- Visit International Business Innovation Association at inbia.org

How Will You Decide to Fund Your Business?

ARE YOU READY TO PUT YOUR "SKIN IN THE GAME"?

When investors are assessing the viability of your business venture, they want to see that you have absorbed some of the risk yourself. Putting your "skin in the game" means that you used your own money to finance at least a portion of your business idea. Sometimes, the best place to look for business support is directly in the mirror. Self-financing your business can be difficult, however there are many advantages to bootstrapping for entrepreneurs.

Bootstrapping your business venture puts you in a unique and advantageous position of ownership over all the decisions for your company. Business experts have explained that bootstrapping streamlines many different processes for entrepreneurs:

A. COMPLETE CONTROL
   - When you do not have to share ownership with outside sources of funding, you can easily manage your sales goals and how your product is handled. You do not need outside approval or permission to direct your business.

B. PROVING YOUR OWN VALUE
   - With outside investment, you will have to prove the value and viability of your company and exchange equity in your company for capital. Bootstrapping allows you to retain ownership and grow your business at the same time.

C. FOCUSING ON THE ESSENTIALS
   - Using your own money to finance your business will force you to make an extremely thorough budget that only includes essential expenses. You will learn how to reduce waste as much as possible and maximize efficiency with the resources that you have.

WANT TO LEARN MORE ABOUT PUTTING YOUR SKIN IN THE GAME? CHECK OUT THESE RESOURCES.

- "Bootstrapping Your Startup: Tips for Self-Funding a Startup" by Nicole Fallon Taylor
- Taylor and Greg Gianforte's book *Bootstrapping Your Business: Start and Grow a Successful Company with Almost No Money.*

DEBT VS. EQUITY

If self-funding is not an option for you, or if your business is in need of more capital, you may need to look for funding elsewhere. Aside from bootstrapping and other self-funding methods, entrepreneurs have two options to consider for additional funding: debt financing or equity financing. There are pros and cons to each.

Debt financing means using money obtained from a loan as capital. This money has to be paid back with interest.

PROS OF DEBT FINANCING	CONS OF DEBT FINANCING
Ability to control how capital is spent.	You must pay interest; however, a proper business plan should take this into account.
Does not impact the structure or management of the company.	It may be difficult to qualify for certain loans, depending on your credit score.
Loans can be flexible and have different repayment options.	Failing to repay the loan may result in the lender seizing your business assets.
Some lenders provide loans very quickly, even in a matter of hours.	Debt funding normally requires your pledge of collateral, and often your personal guaranty of the company's indebtedness.
Debt is non-dilutive, that is, you do not need to give a piece of your company's ownership to your financier.	

Equity financing is where angel investors or venture capitalists provide you with capital in exchange for partial ownership of your business.

PROS OF EQUITY FINANCING	CONS OF EQUITY FINANCING
No need to make loan payments or pay interest.	Like debt, it is not a quick option, as it takes time to gain capital from investors.
No need to pay back investors if the business fails.	Ownership of the company is now shared with investors and they have partial control over the direction of the business.
Relationships with investors can lead to greater connections in the industry.	As fellow owners of your firm, investors are entitled to a portion of your company's future profits.
Investors ofen engage with your firm and offer their guidance and experience.	

INTERESTED IN LEARNING MORE ABOUT THE ADVANTAGES AND DISADVANTAGES OF DEBT AND/OR EQUITY FINANCING? CHECK OUT THESE RESOURCES.

- Check out *The Complete Guide to Equity Financing* by QuickBooks
- "How to Get a Business Loan in 5 Steps" by Steve Nicastro & Teddy Nykiel

Funding Options for Your Business

SMALL BUSINESS LOANS

The U.S. Small Business Administration (SBA) offers a number of different loan programs to assist small business owners. This is not a traditional form of debt financing as the SBA does not actually give direct loans to entrepreneurs. Instead, they provide a form of protection, a guarantee of repayment, to the lending institution in case the entrepreneur defaults on the loan. When an entrepreneur is applying for an SBA loan, they are actually applying for a commercial loan directly through the lender, with a guarantee of SBA support. By helping to minimize lending risk, the SBA helps to connect more small business owners with accessible capital.

In addition to these loan programs, the SBA also offers a bonding program (SBA Surety Bond Guarantee) and a venture capital program (SBA Small Business Investment Company) to help small businesses grow.

GENERAL SMALL BUSINESS LOANS: 7(a)	▶ Can be used to establish a new business or in the growth of an existing business. ▶ Maximum loan amount of $5 million for standard 7a loans. ▶ SBAExpress loans have a lower maximum, but give a faster turnaround for borrowers.
MICROLOANS	▶ Loans up to $50,000 to help small businesses and certain not-for-profit childcare centers ▶ Dispensed by nonprofit community-based organizations ▶ Can be used for working capital, inventory or supplies, furniture or fixtures, and machinery.
REAL ESTATE AND EQUIPMENT LOANS: CDC/504	▶ Maximum loan amounts depend on how the money will be used. ▶ These loans are dispensed by local Certified Development Companies (CDCs). ▶ Can be used for the purchase of land, existing buildings, facility improvements/renovations and the long-term machinery.
DISASTER LOANS	▶ Low interest loans to businesses of all sizes, private non-profit organizations, homeowners and renters. ▶ In the case of a declared federal disaster, this loan can be used to repair or replace destroyed and damaged real estate, personal property, machinery and equipment, and inventory and other business assets. ▶ Types of disaster include Home and Personal Property Loans, Business Physical Disaster Loans, Economic Injury Disaster Loans and Military Reservists Economic Injury Loans.

WANT TO LEARN MORE HOW THE SBA CAN HELP YOU GROW YOUR SMALL BUSINESS?

- Learn more about SBA Loan Programs on sba.gov

There is no single perfect way to finance a small business. Researching different funding options can help you to minimize disadvantages and problems while ensuring that your needs are met. Before deciding to pursue traditional methods of debt and/or equity financing, it may be helpful to consider personal financing options.

Personal financing is similar to bootstrapping in that the entrepreneur is taking a personal risk by delivering funds to the business directly. This might arise through the infusion of personal savings into the business, or potentially obtaining a personal loan from a lending institution and deploying those funds into the company. Be aware that such funding means that the entrepreneur is taking a personal loan from a lending institution (as opposed to a business loan) and using personal assets like their home, business equipment, life insurance policies, or stock and pension plans to secure that loan.

FRIENDS AND FAMILY

Insider financing, on the other hand, relies on the capital from "insiders" like friends, family, or close business associates. It can be great to receive financial help from people close to you and reduce personal risk, but it is important to ensure that the proper codes and regulations are followed. Successful entrepreneurs who use insider financing are able to balance the advantages of its informality and flexibility, while taking measures to prevent interpersonal conflict and misunderstandings.

There are several ways to arrange a financing agreement with your chosen insiders:

INSIDER FINANCING VIA GIFTS

Capital is given as a "gift" that does not have to be paid back. There may be limits and tax consequences for this gift, so it is important to have the proper documentation.

INSIDER FINANCING VIA DEBT

Capital given in the form of a loan by insiders can have more affordable interest rates and offer flexible repayment options. In this situation, a promissory note listing the terms of the loan in detail should be composed for the benefit and protection of all parties.

NSIDER FINANCING VIA EQUITY

Insiders can choose to finance your business venture by exchanging capital for equity --meaning that they obtain partial ownership of the company. As with debt financing, a clear agreement listing the terms of the investment should be composed for the benefit and protection of all parties.

INTERESTED IN LEARNING MORE ABOUT HOW TO GET STARTED ON INSIDER FINANCING? READ THESE RESOURCES.

- "Understanding a Small Business Loan from Friends and Family" by OnDeck
- "How to Get Funding From Friends and Family" by Martin Zwilling

GOVERNMENT GRANTS

As a federal organization funded by tax dollars, the SBA does not provide grants to most small businesses. Grants from the federal government must be authorized by bills passed through Congress and signed by the President. However, the SBA does have the ability to provide grants to non-profit and educational organizations. The website www.grants.gov is the best source for federal grant information and applications. Certain small businesses engaged in scientific research and development may also qualify for federal grants through the Small Business Innovation Research (SBIR) Program.

One may be able to receive a small business grant through state and local programs or nonprofit organizations. State economic development agencies are available to connect small business owners with such grants and other economic opportunities. There are also plenty of grant-making programs available for women and other minorities who own small businesses. In general, business experts advise small business owners to focus their energies on securing loans, rather than only concentrating on "free money" programs, which can be extremely competitive.

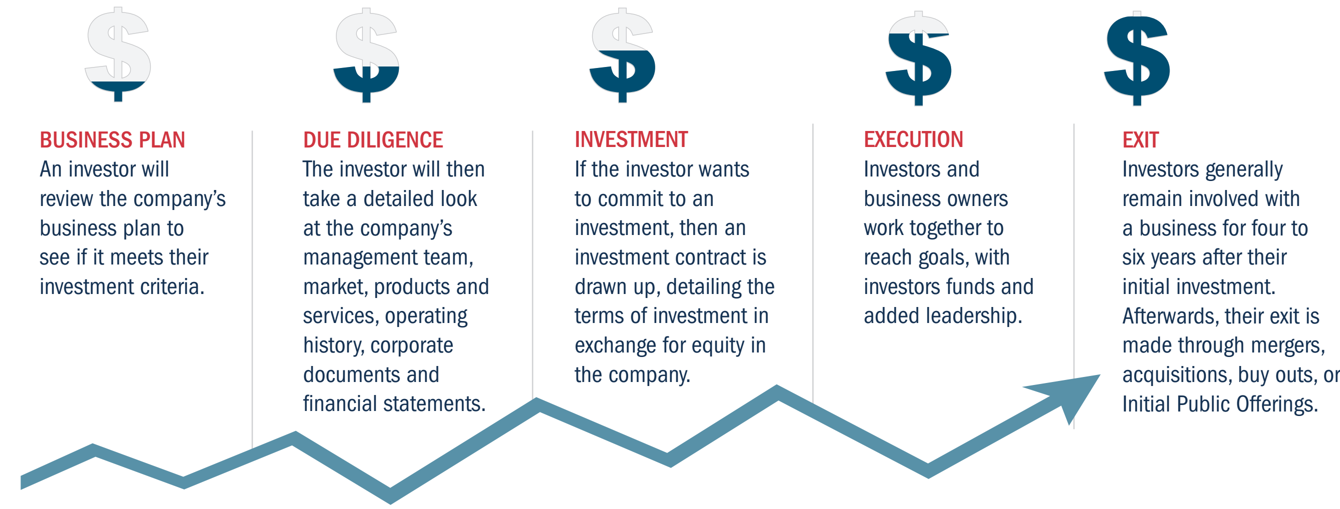
INTERESTED IN LEARNING MORE ABOUT GOVERNMENT GRANT OPPORTUNITIES? CHECK OUT THESE RESOURCES.

- Find local economic development agencies on sba.gov

VENTURE CAPITAL AND ANGEL INVESTORS

If you have decided to pursue equity financing options to start or grow your small business, then it is important to understand all of the steps involved in securing this kind of capital. Equity financing is usually provided by angel investors, who are high net-worth investors, or venture capital firms, which are companies made of partners who look to invest in business ventures. Venture capitalists and angel investors are looking to invest in companies with high growth potential and strong management teams. In general, venture capitalists tend to invest in fast growth emerging firm and technology companies. In return for their capital, these investors require a share of ownership in the company and management and/or leadership roles in the company so as to influence its future.

Although every investor is different, most equity financing relationships follow the same process:



WOULD YOU LIKE TO READ MORE ABOUT VENTURE CAPITAL AND ANGEL INVESTORS? THESE BOOKS HAVE MORE INFORMATION:

- *What Every Angel Investor Wants You To Know* by Brian Cohen
- *Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist* by Brad Feld and Jason Mendelson

STREETSHARES

For some business owners, securing a bank loan can be very difficult and/or expensive. StreetShares.com is a veteran-owned and veteran-operated online lending platform that connects small business owners to a community of investors. They specialize in lending to veteran small business owners and partner with a number of veteran business associations to provide entrepreneurs with affordable rates. StreetShares can offer up to $100,000 in a loan or line of credit. StreetShares fosters a relationship between investors, who get competitive rates of interest on their investment and the satisfaction of helping small businesses, and entrepreneurs, who receive an affordable opportunity to grow their small business.

COMMUNITY DEVELOPMENT FUNDS

A Community Development Financial Institution (CDFI) is another avenue that entrepreneurs may take to gain more access to capital to start or grow a business. There are different types of CDFIs that have a variety of structures and financial capabilities; however, all CDFIs are dedicated to developing and supporting low-income and underserved communities. Though they receive some funding from the CDFI Fund, a government agency, all CDFIs are organizations that operate in the private sector and are focused on the development of small businesses in their local communities.

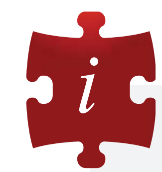
In addition to providing loans and other financial assistance, CDFIs may also offer training and technical assistance services to empower stakeholders. CDFIs are an extremely valuable option for entrepreneurs in economically disadvantaged communities where traditional banking services may not be accessible. CDFIs are deeply committed to their individual communities and the people in them.

- community development banks
- community development loan funds
- community development credit unions
- microenterprise funds
- community development corporation-based lenders and investors
- community development venture funds

CROWDFUNDING

Crowdfunding is a form of fundraising that has become particularly popular in the Internet Age. Entrepreneurs are now utilizing many different types of technology in order to get funding for their business ventures, as well as market their products and services to the general public. Platforms like Kickstarter and Indiegogo have become extremely popular, helping people to raise over $1 billion in combined funding for projects.

To date, Crowdfunding has used a 'donation model' to connect worthy companies to the general public. As such, this form of fundraising often comes with fewer strings attached and less commitment than traditional debt or equity funding. However, crowdsourcing is undergoing rapid change toward a true equity funding model where worthy companies can literally sell ownership to the general public. Connecting small business operators to small investors was the original idea of Crowdfunding. After years of regulatory development, the government is now paving the way for that opportunity. The unique community of online contributors present on crowdfunding websites allows entrepreneurs direct access to their market, making it easy to hear customer feedback, answer questions, or even invite contributors into the planning and operating process.



WOULD YOU LIKE TO LEARN MORE ABOUT CROWDFUNDING WEBSITES AND HOW TO EFFECTIVELY USE THEM TO RAISE FUNDS FOR YOUR BUSINESS VENTURE? READ THESE:

- "Crowdfunding Secrets-7 tips for Kickstarter Success" by Amadou Diallo
- *Step by Step Crowdfunding – Everything You Need to Raise Money from the Crowd* by Joseph Hogue

LINES OF CREDIT AND BUSINESS CREDIT CARDS

For many successful business owners, securing a method of quick, flexible and easy access to cash is a necessity in the case of rapid business change or emergency. Revolving business lines of credit and credit cards make it easy to obtain funds immediately, with the option of paying later. Unlike a small business loan, these options put entrepreneurs on a payment plan that allows them to borrow smaller and more accurate sums of money in multiple instances. It is best to set up business credit before you have a need for it, then you only need to repay it once you have used the funds. Business credit works great for financing short-term or ongoing operations, and are generally not used for start-up investments or major projects. While business lines of credit and business credit cards both offer flexible credit options, one or the other may be best suited to your business needs.

BUSINESS
LINE OF CREDIT

- High credit limit
- Can be deposited into a checking account and used for broader use like writing checks or payroll.
- Floating interest rates, which are often lower than a business credit card
- Lines of credit offer increased flexibility

BUSINESS
CREDIT CARD

- High credit limits, though interest rates may also be high
- Helps to build a strong business credit profile
- Approval is tied to business owner's personal credit profile
- May offer bonus rewards on business-related expenses
- Fluctuating interest rates
- Makes online transactions easier
- If a personal guarantee is signed, business credit may affect personal credit

VENDOR CREDIT

Having trade credit with the vendors that supply your business can be a great asset. One can use earned credit from their vendor to get supplies before paying for them. In addition to this, documented vendor credit can help to build a company's business credit profile –an important factor in applying for future loans and other forms of capital. Vendor credit can be cleverly utilized by business owners to improve their cash flow when three important factors about vendors are considered.

REPORTING

- In order to build a strong business credit profile, it is important to choose vendors who report to business credit bureaus
- If your vendors do not report to a business credit bureau, then purchasing a trade reference program can help to build business credit
- Make sure to note which bureau your vendors report to.

FREQUENCY

- Not only should vendors report to a bureau, but they should report on a monthly basis --not a quarterly or yearly basis
- Regular reporting will help to build your business credit profile quickly.

HIGH CREDIT LIMIT

- Some businesses report the balance owing, rather that the whole credit limit.
- Make sure the high credit limit is reported so that your business credit profile is accurate. This factor can impact any credit limit recommendation that bureaus give in the future.

WANT TO READ MORE ABOUT THE BENEFITS OF VENDOR CREDIT? CHECK OUT THIS ARTICLE:

- "Vendor Credit Lines Are Like Small Business Loans" by Marco Carbajo

MERCHANT CASH ADVANCE

Sometimes, a business owner needs cash almost immediately. When all other options have been exhausted, would not work, or would take too much time, consider a merchant cash advance. Merchant cash advances provide businesses with a portion of their expected future credit/debit card sales. To repay, a percentage of credit and debit card sales are automatically deducted each day until the sum of the cash advance and fees is paid in full. Depending on the type of business you have, a merchant cash advance can be a viable option for capital. A merchant cash advance is not technically a loan; rather, it is the sale of future expected revenues. Due to this technicality, the merchant cash advance industry does not follow the same rules that most lending institutions have to follow. As a result, there are several advantages and disadvantages to merchant cash advances.

PROS OF MERCHANT CASH ADVANCE

- Quick: one can receive capital in as little as 48 hours.
- Debt is paid automatically.
- Your debt can be repaid quickly when credit/debit sales are high.
- They are usually unsecured loans, therefore do not require collateral like business assets or real estate.

CONS OF MERCHANT CASH ADVANCE

- Fees can be extremely high
- There is no benefit to repaying early.
- You must move your merchant card processing account to the funder.
- The funder is not subject to any federal oversight or federal regulation.
- A hard credit check may be necessary, which can hurt your credit score.
- Can cause a debt-cycle if credit/debit sales are not high enough.

Managing Legal Responsibilities to Investors

The legal side of entrepreneurship can be intimidating for small business owners who are unfamiliar with business laws and regulations. Knowledge is a great asset for an entrepreneur when doing business work with investors and other partners. Working with a corporate lawyer can help a start-up company to navigate their business relationship with angel investors and venture capitalists with ease. Corporate law experts suggest a few tips for entrepreneurs:

DECIDE ON AN ORGANIZATION FORM

- The chosen legal entity (corporation, partnership or LLC) will determine the types of investors that are interested in supporting your business venture.

CONSIDER CONVERTIBLE NOTES

- An angel investor may request shares of preferred stock in exchange for their capital; however, preferred stock financings can be expensive and difficult to acquire for new entrepreneurs.
- Sometimes, it is easier for entrepreneurs to issue convertible notes to investors, which can be converted to equity later on.

UNDERSTAND KEY BUSINESS TERMS ABOUT YOUR BUSINESS ENTITY

- Corporations, partnerships and LLCs have varying legal rules, tax implications, and regulations to follow. Understanding these terms will help you to build a proper corporate structure.

PERFORM DUE DILIGENCE ON YOUR INVESTORS

- The relationship between an investor and an entrepreneur may last for several years. Therefore, it is important to "get into bed" with someone for whom you have references, and an understanding of their business history. Ideally, you want to obtain more than just funding from your investor. ·You also want to count upon thier support, guidance, and business connections.

DO NOT SUBJECT YOURSELF TO PERSONAL LIABILITY

- Other than fraud or your personal guaranty of company indebtedness, an entrepreneur/founder of a corporation or LLC should not incur any personal liability in case the company fails. The position of the investor is one of high risk and high reward, and the entrepreneur should not be taking a personal risk.
- In fact, most entrepreneurs choose to form an LLC or corporation because of this benefit.

COMPLY WITH ALL APPLICABLE SECURITIES LAWS

- Any securities issued to investors should comply with Securities and Exchange Commission (SEC) rules and regulations. Make sure you understand the regulations that apply to your company.

WANT TO LEARN MORE ABOUT THE LEGAL RESPONSIBILITIES AN ENTREPRENEUR HAS TO THEIR INVESTORS? THESE RESOURCES WILL BE HELPFUL.

- "Fast Answers" on SEC website
- Websites like **Legal Zoom**, **Law Depot** and **Rocket Lawyer** provide self-service methods for uncomplicated routine legal matters that a start-up business might need.
- Also check out "Angel Financings: legal tips for Entrepreneurs" by Walker Corporate Law Group and "Investor Issues to Consider When Choosing a Business Structure" on www.FindLaw.com.
- *The Tax and Legal Playbook* by Mark Kohler

Negotiating a Good Agreement that is Beneficial to All Parties

An investment negotiation is not a zero-sum game. Everyone involved should aim to reach an equitable agreement that balances interests and responsibility. Experienced legal counsel is a necessity to protect everyone involved. A good negotiation will protect the interests of the entrepreneur, evaluate many possible operating structures and choose the most equitable one, as well as provide answers that can prevent future issues.

WANT TO LEARN MORE ABOUT HOW TO APPROACH NEGOTIATIONS WITH INVESTORS? READ THESE RESOURCES:

- "Negotiating with a Business Angel Investor" by Rishi Anand
- *Getting to Yes* by Roger Fisher and William L. Ury

Conclusion

The Institute for Veterans and Military Families (IVMF) has many resources available to help such as the Center of Excellence for Veteran Entrepreneurship (COE) and The Coalition for Veteran Owned Business (CVOB). For additional resources, please feel free to visit our website, **http://veteranbusinesscoalition.org/** and register your Veteran Owned Business to become a member of our Coalition.

CHECKLIST

BUSINESS PLAN & PITCH

- ☐ Plan of 50 pages or less
- ☐ Powerpoint business plan with no more than 20 slides
- ☐ 2 page brief summarized from the powerpoint
- ☐ 5 minute elevator pitch

UNDERSTAND YOUR 5 C'S

- ☐ Capacity
- ☐ Capital
- ☐ Collateral
- ☐ Conditions
- ☐ Character

MANAGING START-UP COSTS AND PRIORITIES – ESTABLISH HOW YOU WILL ALLOCATE MONEY TO YOUR STARTUP COSTS

☐ CREATE A BUDGET AND SEPARATE COSTS

- ☐ One-time costs vs. Ongoing costs
- ☐ Essential vs. Optional
- ☐ Fixed vs. Variable costs

☐ BUSINESS MODEL, PROTOTYPING

- ☐ Develop a vision
- ☐ Design the details
- ☐ Put design into action

☐ HIRING EMPLOYEES?

- ☐ Understand your state laws while hiring
- ☐ Obtain an employer identification number(ein)
- ☐ Set up records for withholding taxes
- ☐ Employee eligibility verification
- ☐ Register with you state's new hire reporting program
- ☐ Obtain workers' compensation insurance
- ☐ Post required notices
- ☐ File your taxes
- ☐ Get organized and set up recordkeeping

☐ CREATE BUDGET FOR COST OF MATERIALS

☐ MEASURE YOUR EFFICIENCY AND EFFECTIVENESS

ACCESS RESOURCES

- ☐ Expand your network- attend events like 1million cups, meetup groups etc.
- ☐ Get to know your local organizations that can help your company financially and otherwise (sbdc, sba, incubators, veterans business outreach centers, score etc.)

HOW WILL YOU FUND YOUR BUSINESS

- ☐ Establish if you able to "put skin in the game" by bootstrapping or self-financing
- ☐ Need additional financing? Research other sources of fundraising;
  - ☐ Debt vs. Equity
  - ☐ Use small business loans
  - ☐ Friends and family
  - ☐ Government grants
  - ☐ Venture capital and angel investors
  - ☐ Street shares or other loans like kiva
  - ☐ Community development funds
  - ☐ Crowdfunding (kickstarter, indiegogo etc.)
  - ☐ Research lines of credit and business credit cards
  - ☐ Vendor credit
  - ☐ Merchant cash advance

MANAGING LEGAL RESPONSIBILITIES TO INVESTORS

- ☐ Decide on an organization form
- ☐ Consider convertible notes
- ☐ Understand key business terms about your business entity
- ☐ Perform due diligence
- ☐ Comply with all securities law

NEGOTIATING A GOOD AGREEMENT

- ☐ Protect assets

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Stutsman joins the IVMF as the Director of the Center of Excellence for Veteran Entrepreneurship as well as the Coalition for Veteran Owned Business. She is responsible for building a center that advances and promotes veteran entrepreneurship nationwide through research, resources, supply chain opportunities and tools as well as training and program development. Previously Stutsman served as the Manager of Programs and Outreach at the Riata Center for Entrepreneurship, at Oklahoma State University. During her time there, she oversaw the expansion and relaunch of the new award-winning student incubator program, served on the planning board and positioned Riata as a founding member of 36 Degrees North, an 11,000 square foot entrepreneurial space in the heart of downtown Tulsa, as well as launched many other student and community-based programs, internships, competitions, and conferences, at the local, national, and international level. She was also the consortium lead for the Veterans Entrepreneurship Program (VEP) based out of Oklahoma State University, recruiting three universities to the consortium during her tenure at the Riata Center. Prior to this position, she was the Marketing Manager at Southern Hills Country Club in Tulsa, Oklahoma. She has several years' experience in service management, consulting, event planning and program/curriculum development. She graduated with a bachelor's degree in Marketing and International Business and a Masters of Business Administration, both from Oklahoma State University. During her undergraduate career she was a member of the Equestrian team and served as the show manager coordinating all home competitions including the Big XII Championship.