

Balancing Business and Deployment



Veteran's Small Business Resource Guide

U.S. Small Business Administration



Your Small Business Resource

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All SBA programs and services are offered to the public on a non discriminatory basis.



preparation

legal

healthcare

taxes

marketing

financial

Introduction

For years, members of the National Guard and Reserve components of the United States armed forces have played a crucial role in preserving and protecting the American way of life. The events of Sept. 11, 2001, have made the Soldiers, Airmen, Marines, Sailors and Coast Guard personnel who make up the Guard and Reserve all the more essential to the United States' ability to engage in missions around the world. Because they help develop and promote small businesses in the United States, National Guard and Reserve members who own small businesses also play a critical role in the country's economic growth and stability. Small business ownership, especially when coupled with membership in the National Guard or the Reserves, often comes with significant challenges and sacrifices. Now, more than ever, National Guard and Reserve members are dealing with frequent and lengthy deployments both at home and abroad, making successful small business ownership an even tougher challenge.

The Small Business Administration has developed this resource guide for members of the Reserve or National Guard who are also small business owners preparing to mobilize. If you are a small business owner facing mobilization, you will find important information in this guide and on the accompanying CD-ROM that will help prepare your business and your employees for your absence. Even if you are not currently designated for mobilization, this guide contains important information in preparing for this eventuality.

As you prepare yourself and your business for mobilization, you may want to contact the Office of Veterans Business Development at 202-205-6773. The Office of Veterans Business Development can help you get in touch with the Veterans Business Development Officer located nearest to you. The Veterans Business Development Officer can connect you with business experts from a variety of sources, including: Women's Business Centers, Small Business Development Centers, Veterans Business Outreach Centers and SCORE (Service Corps of Retired Executives). You can also access your local

Veterans Business Development Officer on the Web at: www.sba.gov/VETS/rebs.html.

The Importance of Preparation

Even if you don't anticipate mobilization in the near future, it is **vitaly important** that you prepare your business and employees for the potential that you could be deployed. A well prepared **Small Business Mobilization Plan** can make a big difference in how your business will fare in your absence. Developing an effective plan before you mobilize offers you the best opportunity to organize your business and ensure that it will remain secure while you carry out your military duties.

The following checklist will help you develop an effective Small Business Mobilization Plan so your business remains stable during your deployment. Remember to plan for weekend drills, annual training and professional training, and assign someone to execute the plan in the event that you are unable to do so. It's a good idea to update your Small Business Mobilization Plan annually and make sure it remains accessible to the persons you choose to implement the plan in your absence.

Primary Business Concerns

Before you mobilize, you must decide whether to sustain or suspend business operations (mothball). If you decide to keep running your business, you will need to designate a key manager to handle operations in your absence. Moreover, regardless of your decision, you will also need to determine the physical status of your business by updating your inventory.

Your *key manager* will act on your behalf during your absence. This is the person whom you will most likely designate as an agent on your power of attorney so that he or she can make business decisions in your stead. Before you mobilize, you should be sure that your vendors, creditors, and clients know who your key manager is and understand that your key manager will be running the business while you're gone.

Taking an inventory will help you determine how much product you have on hand. The term *inventory* refers to all of your company's assets. If you decide to mothball, you will need to know how many of your assets must either be liquidated or placed in storage. You will also need to know how much money you will spend on storage costs if you don't liquidate all of your assets. If you decide to sustain operations, your key manager will find an updated inventory to be very useful.

Updating Your Business

As you prepare for deployment, you may want to take a look at where your business is going. How long has it been since you've invested in training for yourself and your key employees? Just as computers and other equipment periodically need to be upgraded, so do your business techniques. Updating your business techniques and using the most modern resources available may help ease some of the burdens that you will surely deal with as you plan for your departure. Free training is available from the SBA and SCORE. Both SCORE and the SBA have put together user friendly Web sites that can help you get started on the task of upgrading your business skills.

The SBA has a number of online courses available that can help you and your key employees refine your business skills. The courses cover a wide variety of business topics and are provided free of charge. You can access the SBA's online course offerings by visiting www.sba.gov/training/courses.html#BUSINESSMANAGEMENT. You may also want to read the SBA's article on sharpening your business skills at www.sba.gov/managing/growth/skills.html.

SCORE is also a resource for small business owners seeking free and confidential business counseling and low-cost business training workshops. SCORE has 389 offices across the country. Call 1-800-634-0245 to be referred to the SCORE office in your area or visit the SCORE Web site at [www.score.org](http://www.score.org/findscore) to find office locations. You can meet with a SCORE counselor in person or ask for advice online at www.score.org/veteran.html. SCORE counselors are prepared to help business owners leaving and returning from active duty with business

readiness plans, emergency loan applications, business recovery, and other issues. Communicating with a SCORE counselor via e-mail in a mentoring relationship is a great way to get business help before, during, and after deployment. The SCORE Web site also features business plan and finance templates and how-to articles to aid your planning efforts. California SCORE chapters have formed an alliance with the California National Guard at www.calguard.ca.gov. Nebraska SCORE chapters have formed a similar partnership with the Nebraska National Guard at www.neguard.com.

The Veterans Corporation offers low-cost training tools. Chartered by an act of Congress in 1999, the Veterans Corporation provides small business training, mentoring and entrepreneurial services to Veterans. The Veterans Corporation has created the Veterans Entrepreneurial Training program for Veterans who are starting or expanding their businesses. While this program is not free, tuition is kept very low because the Veterans Corporation subsidizes its cost. For more information about the Veterans Entrepreneurial Training program, visit the Veterans Corporation's Web site at www.veteranscorp.org/education/eduInt.aspx?id=122.



Mobilization Preparation Checklist

✓	Task	Point of Contact (POC)	Phone Number
	Primary Business Concerns		
	Decide whether to suspend or sustain operations		
	Designate key manager		
	Take inventory		
	Updating Your Business		
	Invest in training for yourself and your key managers		
	Legal and Administrative Concerns		
	Notify your legal and financial advisers about your deployment or potential of future mobilization.		
	Assign power of attorney		
	USERRA		
	Leases		
	Review Servicemembers Civil Relief Act		
	Review insurance status		
	Address the following:		
	Warranties/Guarantees: product, service, contract		
	Contracts and agreements: assignment, completion, non-complete, confidentiality, nondisclosure, franchise		
	Contingent legal problems: litigation, disputes, judgments		
	Strategic alliance agreements and obligations		
	Labor union agreements		
	Meet with employees to discuss future company objectives		
	Thoroughly review your business and identify problem areas		
	Review a list of assets and perform a physical inventory		
	Taxes		
	Notify IRS of your deployment status		
	Identify any unresolved tax issues		
	Check IRS for updated tax information		
	Meet with your accountant to organize your tax information		
	Other Financial Considerations		
	Review the financial portions of your updated business plan (See administrative issues)		
	Determine financial needs prior to mobilization		
	Contact your lenders		
	Inform and request assistance from vendors and creditors		
	Loan deferral or interest rate restructuring as needed		
	Update listing in Dun & Bradstreet		
	Review credit report		
	Review and update all signature authorities		
	Review existing business plan or create a business plan		
	Check credit rating		
	Military Reservist Economic Injury Disaster Loan (MREIDL)		

Mobilization Preparation Checklist - continued

✓	Task	Point of Contact (POC)	Phone Number
	Healthcare Considerations		
	Determine eligibility for military transitional healthcare		
	Update your and your family's status in the Defense Enrollment Eligibility Referral System (DEERS)		
	Review civilian insurance policy and decide whether to discontinue or change coverage		
	Change plans as appropriate and ensure proper enrollment/disenrollment dates		
	Explore veterans service organizations and small business association memberships for insurance plans		
	Marketing		
	Determine the needs of your current customers		
	Reanalyze your company's competitive advantages in order to update your market strategy		
	Determine the best way to satisfy your customers' needs in the current market		
	List all current and prospective customers		
	Summarize competitors' products		
	Research your competitors' strengths and weaknesses		
	Obtain copies of your competitors' annual reports		
	Examine the strength of the current market		
	If applicable, notify your customers that your business will be temporarily closing		
	Obtain and compare competitors' annual reports for the financial condition of businesses, market share, and insight into future projects		
	Conduct market research to determine current market strength for your business sector		
	List business in CCR (Central Contractor Registration system)		

Legal & Admin

As you plan for deployment, you are very likely to encounter business-related legal and administrative issues. These potential issues are another good reason why you should carefully prepare a business plan before you mobilize. Decisions must be made regarding insurance coverage, powers of attorney and preparing your employees. Moreover, your mobilization will affect how the business plan will need to be updated. It's in your best interest to try to get your legal and administrative affairs in order as far in advance of your deployment as possible. Keeping up with your legal and administrative affairs will not only benefit you personally, but it will also put your business on firmer ground and improve overall military readiness.

Issues with Employees

Your mobilization will affect all stakeholders in your business, including your customers, your creditors, and your employees. To forestall problems, you should **meet with your employees** to discuss how your mobilization could affect the company's operations and more importantly, how it might affect their jobs. If your business continues to operate in your absence, there will most likely be changes in its management. Some people may be promoted, assigned different jobs, or laid off. Naturally, your employees may be nervous about the potential changes in management. They may also worry about what your mobilization could mean for their job security and stability.

A meeting with your employees to discuss the company's operations during your deployment and your employees' own plans for their futures may help allay some apprehension. Use this opportunity to review and update your employees' personnel records. When you meet with your managers, take time to think about and address potential employee issues before they arise.

Liability Insurance Coverage

Defending your business against a legal complaint, even a trivial one, can be very expensive. If your

business continues to operate in your absence, you should be aware that it's very important to **maintain proper liability insurance coverage** for the managers left behind to run the company. Liability coverage will protect your business's assets in case it is sued for something it did or did not do that caused personal injury or property damage to someone else. A liability insurance policy will have separate provisions, including separate limits, for property damage and personal injury caused to other persons. In some business situations, liability insurance coverage is legally mandated; however, sometimes the amount of coverage required by law is insufficient. Before you mobilize, be sure that you have purchased enough liability insurance to protect your business and the managers who are running it in your absence. Ideally, your business should be structured to limit liability risks as much as possible. Look for potential problems ahead of time and try to correct them so that liability is less likely to become an issue.

You may also consider buying a commercial umbrella policy to supplement your liability insurance. Think of an umbrella policy as an extra layer of liability protection beyond that of your liability insurance policy; it will provide additional insurance coverage once your primary insurance coverage is exhausted. Since liability claims and court decisions involving large sums of money are not uncommon, an umbrella policy can mean the difference between a financially healthy business and bankruptcy. An insurance agent can offer you more information about liability insurance, or for Web-based information, visit www.onlinewbc.gov/docs/finance/insure_types.html#liab.

Key Manager Life Insurance

Another important insurance issue to consider before you mobilize is **key manager life insurance**. The term *key manager life insurance* refers to insurance protection that a business pays on an employee's life. The company purchases a life insurance policy on the key employee, pays the premiums, and is the beneficiary of the policy should the employee meet an untimely death. Key manager life insurance may be

purchased for a variety of reasons; some of the main purposes for this type of insurance may be to:

- Cover a business for the loss of a key employee's life.
- Fund a deductible deferred compensation plan containing a death benefit.
- Provide financing for a corporate buy-out of business interest or stock.
- Provide funds to the business in order to help it survive the loss of a critical employee.

The loss of an important employee can be financially devastating. Searching for and training the right replacement after a key employee's death can be costly and time consuming. As you ponder whether or not to purchase key manager life insurance, you should determine which employees are critical to your company's success. If you believe your business would be negatively impacted by the death of one or more specific employees, you can take steps to protect it by purchasing key manager life insurance. Although key manager life insurance will not replace the intangible assets lost by the death of a critical employee, it will improve your company's cash flow while a replacement is found and trained.

There is one last potential issue that you should think about as you consider purchasing key manager life insurance. Chances are good that you will return from your deployment and be able to go right back to running your business. However, you should also realize that there's a chance you could die or become permanently incapacitated during your tour of duty. You may want to purchase or upgrade your own life insurance coverage and consider buying disability insurance. Don't forget that as much as you count on your key employees, they are also counting on you. After all, as the owner of your business, you are perhaps the most key employee of all.

National Guard or Reserve members who are assigned to a unit in which they are scheduled to perform at least 12 periods of inactive duty that are creditable toward retirement are currently eligible for coverage under a Servicemembers Group Life Insurance plan

up to a maximum of \$250,000; on September 1, 2005, this amount will increase to \$400,000. Coverage is in effect 365 days per year and Servicemembers are eligible for coverage for 120 days after separation or release from duty. You may also want to consider applying for a commercial insurance plan if your needs will exceed the limit on the SGLI policy. If you decide to purchase another policy, make sure there won't be any limits placed on your coverage due to your military service. For more information about SGLI, go to: www.insurance.va.gov/sgliSite/default.htm.

Power of Attorney

Before you mobilize, you will need to **establish powers of attorney** to one or more key employees. A power of attorney is a legal document that allows another person or institution to act as your legal agent. There are two basic types of powers of attorney, general and special. A **general power of attorney** allows your agent to do almost anything that you could do by signing your name. General powers of attorney are limited in that your agent cannot act on your behalf in certain personal situations. For example, your agent cannot get married or execute a will on your behalf. Moreover, the IRS requires a special form of power of attorney when a person wishes to allow an agent to cash an income tax refund check. A **special power of attorney** lists a specific act or acts that your agent is authorized to handle on your behalf and it limits your agent to *only* those acts. For instance, you may obtain a special power of attorney to give your agent the right to handle banking transactions on your behalf and their ability to act in your stead is limited *only* to banking transactions.

You may want to consider whether or not you wish to make your power of attorney **durable**. A **durable power of attorney** allows your agent to continue to act on your behalf should you become mentally incompetent while the power of attorney is in effect. By comparison, a **nondurable** power of attorney is automatically revoked in the event that you become mentally incompetent or die.

You can obtain a power of attorney at a military legal office. The following links will take you to



military legal assistance Web sites for your specific branch of service.

- Army Legal Assistance
www.jagcnet.army.mil/
- Navy Legal Assistance
www.jag.navy.mil/
- Marine Corps Staff Judge Advocate
sja.hqmc.usmc.mil/
- U.S. Coast Guard Legal Assistance
www.uscg.mil/legal/la/
- Air Force Legal Assistance
hqja.jag.af.mil/

Powers of attorney prepared in a military legal office specify that the document will be given the same legal effect as a power of attorney prepared and executed according to the laws of the jurisdiction where it is presented. Understand, however, that currently there is no law that requires a third party to accept a military power of attorney. Many businesses will accept them as a gesture of good will; however, you should contact all of the institutions with whom you do business to be sure that they will accept a military power of attorney. It's also important to note that while a general power of attorney includes banking, many banks are reluctant to accept them.

Your bank may prefer that you use a special power of attorney with the bank account numbers annotated within the document. If you plan to use a special power of attorney to allow your agent to bank on your behalf, you should contact your bank to make sure that the special power of attorney will be acceptable.

Some banks have their own form that they will require you to use. You should also check with your bank because it is likely that you or your agent will be required to sign the bank's signature card.

In some states, powers of attorney are required to be filed in the county clerk's office where you reside. You can get information on specific filing instructions and fees by calling your county clerk. Bear in mind that another disadvantage to filing a power of attorney is that once it's been filed, it becomes public record. This means that anyone wishing to see your power of attorney may go to the court where it has been filed and view or copy the document.

Keep in mind that powers of attorney can be abused as well as used. Below are some precautions that you can take to minimize the chance that your power of attorney will be used inappropriately:

- Never prepare a power of attorney unless it's absolutely necessary.
- If you think that you will need a power of attorney, have one prepared, but don't sign it until you need it.
- Always specify an expiration date on your power of attorney. Never have a power of attorney that lasts indefinitely. Powers of attorney issued by a military legal office will generally expire three years from the date of issue unless you designate an earlier expiration date.
- Never use a general power of attorney if a special power of attorney will do.

Giving someone power of attorney is a very important decision. The person whom you designate as your agent will have the power to act as if they were you; therefore, you should take time to carefully consider whom you should name as your agent. Remember that you will be held liable for your agent's actions under the power of attorney. Never issue a power of attorney to someone whom you don't completely trust.

Taxes

To avoid unnecessary tax-related fees and penalties, it's important to take care of your current tax issues before you leave. If you have access to an accountant, he or she should know what you must do before you deploy in order to resolve tax issues that involve your business. If you don't have an accountant, there are some steps you can take to ensure that you will meet local, state, and federal tax requirements while you are mobilized. Contact the Internal Revenue Service to inform the agency of your deployment and to get started on settling your current tax issues. You can reach the IRS by phone at 1-800-829-1040 or by e-mail at: combatzone@irs.gov. The IRS also has a dedicated toll-free number for questions from the combat zone: 1-866-562-5227. The Small Business Administration and various state and military programs are also armed with resources to help you get started with this process.



Reserve members called to active duty may qualify to defer their taxes without penalty under **The Servicemembers Civil Relief Act** (formerly the Soldiers and Sailors Civil Relief Act). This act applies to active duty members of military services and commissioned officers of the uniformed services. National Guard members are qualified if they are serving in a "federalized" status, that is, if they have been specifically called to duty by the president of the United States. To qualify for the deferral, Servicemembers must prove that their ability to pay taxes was affected by their military service. Deferrals granted under The Servicemembers Civil Relief Act apply to taxes that are due before or during military service. The deferral extends six months (180 days)

after the servicemember is released from active duty, and no interest or penalties accrue during the deferral period. To take advantage of this tax deferral, you must apply for it and show how your military duty interfered with your ability to pay your taxes. This act also applies to a wide range of other expenses you may be faced with during your deployment. For more information on the Servicemembers Civil Relief Act as it affects taxes, www.irs.gov/newsroom/article/0,,id=108001,00.html. More information on the Servicemembers Civil Relief Act also appears in the next section of this guide and is included on the accompanying CD-ROM.

Remember that if you do apply for a deferral under the Servicemembers Civil Relief Act, your business will not be exempt from tax liability, including any income that you receive from your business while you are deployed. In other words, while your combat pay is likely to be exempted from taxes, income earned from your business will not be. Moreover, if your business continues to operate during your deployment, you should know that the IRS will not allow any extensions, exclusions, or relief from the normal IRS filings, including income reporting requirements from your business.

Federal tax laws are always changing, so it's important to be sure that you and your company's leadership remain aware of the most recent changes. You can stay abreast of the latest tax laws by visiting the IRS Web site at www.irs.gov. The IRS also offers a free CD-ROM intended especially for small business owners that includes all business tax forms, instructions, and publications. For information on how to get these materials, use the CD-ROM at the back of this booklet.

Don't forget to contact your state and local taxation offices before you deploy. You can find your state's tax offices by visiting your state government's Web site or by accessing www.taxsites.com/state.html. You may also want to visit www.business.gov/topics/taxes/ for handy access to information about state and local taxation, as well as other legal and regulatory information for your small business.

As you prepare your business for your absence, you should take stock of your business's financial health. If you choose to sustain business operations, your interim managers may need to have access to a cash reserve and a line of credit. With this in mind, you should check your cash flow and determine if you have enough cash on hand for your business to meet its expenses before your departure. If you decide to suspend operations, you should try to set aside at least two months of operating capital to be used to re-launch your business when you return. In either case, you should be aware of legal protections afforded you as a servicemember, loan and grant programs that may be helpful, and the risks associated with identity theft.

Servicemembers Civil Relief Act

Under the auspices of the Servicemembers Civil Relief Act, Reserve of National Guard members who have been called to active duty may qualify for one or more of the following protections:

- Reduced interest rates on mortgage payments.
- Reduced interest on credit card debt.
- Protection from eviction for nonpayment of housing leases of up to \$2,400 per month. This amount would be adjusted annually to account for inflation.
- Allows Servicemembers who are issued permanent change of station orders or deployed to a new location for at least 90 days the right to terminate a housing lease.
- Delay of all civil court actions, including divorce, foreclosure, and bankruptcy hearings.
- Deferral of taxes due before or during military service. Does not apply to taxes due on income generated from private business.

In some situations, creditors can be limited to 6 percent interest on debts owed by military members during active duty. This provision applies to all debt

incurred before the Servicemember is activated and it includes interest on credit cards, mortgages, car loans and other debts. The Servicemembers Civil Relief Act also clarifies that no interest above the 6 percent limit may become due once the servicemember leaves active duty. Instead any interest above 6 percent for a debt incurred before or during military service must be permanently forgiven. Furthermore, monthly payments must be reduced by the amount of interest saved during the covered period.

To qualify for the reduction of interest, the Servicemember must first request it, as the rate reductions do not occur automatically. Then, he or she must prove that military service materially affected his or her ability to meet financial obligations. This is sometimes the case when a Reserve or National Guard member with a job in the civilian sector is called to active duty and earns significantly less income as a military member. However, the Servicemembers Civil Relief Act is unlikely to be helpful when a civilian company has agreed to pay the Servicemember the difference between their military pay and the civilian salary they earned before the call to active duty. In this case, the Servicemember's ability to meet financial obligations is not materially affected by military service, so interest rate reductions under the Servicemembers Civil Relief Act will not be granted.

Benefits available under the Servicemembers Civil Relief Act will expire when your active duty period ends; you must request them while you are still on active duty and not after the fact. A guide to the Servicemembers Civil Relief Act is included in the accompanying CD-ROM, and it can also be accessed at www.abanet.org/family/military/scrajudgesguidecklist.pdf.

Do not underestimate the power of good will. Some of your vendors and creditors will appreciate the fact that you are serving your country and they may want to help you by offering extended credit, longer payment terms, and lower interest rates. You could do yourself a great service by inquiring about these

XYZ Company, LLC
111 Robin Lane
Anytown, MI 22222

August 1, 2005

ABC Credit Corporation
#5 Industrial Rd.
Birmingham, AL 11111

Dear Sir or Madam:

I am writing to inform you that I will soon be serving our country as a member of the U.S. Army in Operation Iraqi Freedom. I am scheduled to deploy on Sept. 15, 2005, and expect to be in Iraq for at least one year.

I plan to maintain my business operations while I am overseas. Although I am leaving my business in capable hands, times may be tough in my absence. I am requesting an interest rate reduction on my business loan under the provisions of the Servicemembers Civil Relief Act. It is my understanding that under this law, my interest rate will be capped at 6 percent.

If your company offers programs for small business owners who are also members of the armed forces, I would like to learn more about them. Thank you for your consideration.

Sincerely,

Bob Soldier
Owner and President

possibilities when you notify your creditors and vendors that you will be leaving. Above is an example of a letter for creditors requesting their assistance.

SBA Loan Resources

If your small business has an SBA direct or guaranteed loan, you may seek from your lender deferral for loan repayment, reduction in the interest rate, and other credit/financial assistance. If you're considering applying for an emergency business loan before you deploy, you're in luck; the SBA has a number of resources available. You should understand however, that the SBA is mainly a guarantor of loans that are made by other financial institutions. The loan guaranty that the SBA provides shifts the risk of borrower nonpayment, up to the amount of the

guaranty, from the lender to the SBA. Therefore, when you apply for an SBA loan for your business, you are actually applying for a commercial loan that is structured according to SBA requirements and receives an SBA guaranty.

PROGRAM: The 7(a) Loan

FUNCTION: The basic 7(a) Loan is the most fundamental and often used of the SBA's business loan programs. The 7(a) loan allows qualified small businesses to obtain financing when they may be ineligible to do so through the usual lending channels. The 7(a) loan guaranty is the SBA's most accommodating business loan program because financing under this program can be guaranteed for a wide range of general business purposes. The SBA

offers a number of variations of the 7(a) loan program to accommodate targeted needs. You may use the proceeds from a 7(a) loan for most sound business purposes. Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets. Commercial lenders make and administer the 7(a) loan, which means that your business must first apply to a lender for financing. The lender will then decide whether or not to approve the loan. If your application has weaknesses, the lender may require an SBA guaranty. Because the 7(a) loan actually comes from a commercial lender, it is very important that you know the lender's borrowing criteria and requirements as well as those for the SBA. All 7(a) loans that are guaranteed by the SBA must meet the SBA's 7(a) criteria.

WEB SITE: www.sba.gov/financing/sbaloan/7a.html

PROGRAM: Pre-qualification Loan Program

FUNCTION: The Pre-qualification Loan Program is a 7(a) loan with a different process. Prospective borrowers use SBA-designated intermediary organizations to aid in developing viable loan application packages for loans up to \$250,000. The Pre-qualification Loan Program differs from other SBA loan programs in that the intermediary may submit an application to the SBA before the borrower approaches a bank. If the SBA determines that the application is eligible and has adequate credit merit to warrant approval, it may issue a commitment letter on behalf of the applicant. The commitment letter indicates the SBA's willingness to guaranty a loan made by a lender under certain terms and conditions. The intermediary helps the borrower locate a lender and then he or she takes the letter and its application document to a lender for a decision. The Pre-qualification Loan Program is delivered through non profit intermediaries.

WEB SITE:

www.sba.gov/financing/sbaloan/prequalification.html

PROGRAM: Military Reservist Economic Injury Disaster Loan (MREIDL)

FUNCTION: Military Reservist Economic Injury Disaster Loans are available for Reserve members who have been called to active duty — after you

receive your orders to active duty, and for up to 90 days after you are discharged from active duty. The purpose of the Military Reservist Economic Injury Disaster Loan Program, otherwise known as MREIDL, is to make funds available to eligible small businesses so that they can meet ordinary and necessary operating expenses while an essential employee is deployed. These loans are intended only to provide small businesses with enough basic working capital to pay their necessary obligations until the essential employee is released from active duty and business operations return to normal. The MREIDL program is not intended to provide funds for lost income or profits, nor is it intended to expand the business, replace commercial debt, or refinance long-term debt.

Collateral Requirements: Loans of less than \$5,000 do not require collateral. Loans over \$5,000 require you to pledge collateral to the extent that it is available, and generally the collateral would consist of a first or second mortgage on the business property. Additionally, the principals of the business are required to provide personal guaranties. If you lack collateral and wish to borrow more than \$5,000, the SBA will not automatically decline your loan; however, you must pledge available collateral.

Interest Rate: The maximum interest rate for MREIDL is 4 percent.

Loan Term: The law allows loan terms up to a maximum of 30 years. The SBA establishes loan terms according to the borrower's ability to repay. If you apply for the MREIDL program, the SBA will look at your financial circumstances and decide the appropriate amount of each installment, which will then determine the actual loan term.

Loan Amount Limit: The maximum loan amount for the MREIDL is \$1.5 million. The actual loan amount, up to the maximum, is limited to the actual economic injury as calculated by the SBA. If a business is a major source of employment, the SBA has the power to waive the \$1.5 million statutory limit.

Insurance Requirements: For your protection and that of the SBA, you will be required to obtain and maintain appropriate insurance. Borrowers of all

secured loans (economic injury loans over \$5,000) must buy and maintain full hazard insurance for the life of the loan. If your property is located in a special flood hazard area, you will also be required to purchase and maintain flood insurance for your property's full insurable value for the life of the loan.

WEB SITE:

www.sbaonline.sba.gov/disaster_recov/loaninfo/militaryreservist.html

PROGRAM: Economic Injury Disaster Loan

FUNCTION: Another loan program available from the SBA is the Economic Injury Disaster Loan, also known as the EIDL. This program is for small businesses located in a declared disaster area that have sustained serious economic injury. If your business is located in an area that the Secretary of Agriculture has declared to have been severely impacted by a physical disaster or an agricultural production disaster, you may be able to access this loan program. An EIDL is intended to help you meet necessary and ordinary operating expenses that your business could have met had the disaster not occurred. Before you apply for this program, bear in mind that the SBA only provides EIDL loans to businesses that are unable to acquire credit elsewhere and you must use private credit sources as much as possible to overcome the economic injury.

WEB SITE:

www.sbaonline.sba.gov/disaster_recov/loaninfo/econinjury.html

SBA Grant Programs

Although the SBA does not offer grants to help start or expand businesses, it does supply some grant programs intended to develop businesses that provide small business management, technical, or financial assistance. These grants primarily support non-profit organizations, intermediary lending institutions, and state and local governments. For more information about the grants that are offered by the SBA, visit www.sba.gov/expanding/grants.html.

Identity Theft

Before you deploy, be sure to take steps to protect yourself from identity theft. Identity theft is a serious crime that is becoming far too common. Victims of identity theft often spend a great deal of time and money repairing the damage done to their credit records, not to mention their reputations.

To minimize your risk of identity theft, keep an eye on your personal credit report, as well as your company's credit report. By checking your credit reports, you will be able to review your current lines of credit and debt and spot any unusual activity that you may need to investigate. If you do have reason to believe that you are a victim of fraud or identity theft, you can have fraud alerts placed on your credit reports for six months and you are entitled to one free credit report from each of the three credit reporting bureaus:

Experian - www.experian.com

To order your report, call:
1- 888-EXPERIAN (397-3742) or write:
P.O. Box 2002,
Allen TX 75013

To report fraud, call:
888-EXPERIAN (397-3742) or write:
P.O. Box 9530
Allen TX 75013
TDD: 1-800-972-0322

Equifax - www.equifax.com

To order your report, call:
1-800-685-1111 or write:
P.O. Box 740241
Atlanta, GA 30374-0241



To report fraud, call:
800-525-6285 or write:
P.O. Box 740241
Atlanta, GA 30374-0241

Hearing impaired, call: 1-800-255-0056 and ask the operator to call the Auto Disclosure Line at 1-800-685-1111 to request a copy of your report.

Trans Union - www.transunion.com

To order your report, call:
1-800-888-4213 or write:
P.O. Box 1000
Chester, PA 19022

To report fraud, call:
1-800-680-7289 or write:
Fraud Victim Assistance Division,
P.O. Box 6790
Fullerton, CA 92634
TDD: 1-877-553-7803

You need only call one credit reporting bureau's fraud assistance hotline. The system is completely automated, and once you report potential fraud to one credit reporting bureau, the other two will automatically be notified to place fraud alerts on your credit reports. If you believe you are a victim of identity theft, you should also contact the Federal Trade Commission. For more information on what to do in case of identity theft, visit Federal Trade Commission's Web site at www.consumer.gov/idtheft/index.html.

The FACT Act

President Bush signed the **Fair and Accurate Credit Transactions Act** into law on Dec. 4, 2003. A portion of the FACT Act went into effect in March 2004. As of December 1, 2004, the rest of the Fair and Accurate Credit Transactions Act of 2003 went into effect, changing many of the provisions that were made under the Fair Credit Reporting Act of 2002. Bankers, lenders, collection agencies, rental agencies, insurers and employers will all be impacted by this new law. As a small business owner and employer, the FACT Act will no doubt affect how you run your business; it will also offer you some new protections against identity theft. The FACT Act offers the following protections:

- Active duty military personnel may place special alerts on their credit reports if they are deployed overseas.
- One free credit report per year will be made available upon request by virtually all of the credit reporting agencies and requires that additional free reports be made available if identity theft is suspected.
- Credit reporting agencies must ensure that all requests for credit are legitimate if a credit report has been flagged for suspected identity theft.
- Identity theft victims who file police reports may block fraudulent information from appearing on their credit reports.
- Identity theft victims must have access to business records that list an identity thief's fraudulent transactions.
- The use of medical information is limited.
- Lenders and credit agencies must take action even if the identity theft victim is aware of the crime.
- Only the last five digits of credit card numbers may be displayed on store receipts.
- Debt collectors must inform creditors of fraudulent information.

For more information about the FACT Act and how it will affect you, please visit the Privacy Rights Clearinghouse at www.privacyrights.org/fs/fs6a-facta.htm.

Healthcare Considerations

As an activated member of the National Guard or the Reserves, your personal healthcare expenses will be covered by TRICARE Prime. Military health benefits also extend to your family on the first day of your active duty as long as your orders are for a period of at least 30 consecutive days or they are for an indefinite period of time. Families of Reserve and National Guard members who are called to active duty for at least 179 days are also eligible to enroll in TRICARE Prime. If your orders are for an indefinite period of time, your family may not enroll



in TRICARE Prime until your 179th day of active duty. They are, however, eligible for TRICARE Standard and TRICARE Extra. Remember that enrollment in TRICARE is not automatic. To receive benefits, you must ensure that your own and your family's information and status is up-to-date in the Defense Enrollment Eligibility Reporting System, otherwise known as DEERS. More information about TRICARE is available at: www.tricare.osd.mil.

You may also decide to maintain civilian health insurance coverage for your family. Civilian coverage is likely to be more comprehensive than military coverage, but it will also be more expensive. Keep in mind that military healthcare benefits for Reservists and members of the National Guard are transitional. Once you demobilize, you will need to arrange to either continue civilian healthcare coverage or start new coverage. Also, remember that if you maintain your civilian healthcare coverage, TRICARE will always be a secondary payer to your civilian insurance

policy. To get reimbursed by TRICARE for medical expenses that are not covered by your primary provider, you will have to submit the appropriate documentation to TRICARE. You can get more information about family benefits by referring to the Guide to Reserve Family Member Benefits at: news.findlaw.com/cnn/docs/dod/usdodrsrvfmllybnfts.pdf.

Once you've considered your personal health insurance needs, you may want to think about your employees' health insurance requirements. If you decide to sustain business operations while you are deployed, and you offer healthcare benefits to your employees, you will need to evaluate your company's health insurance plans to determine if they will remain solvent during your absence. If your company does not currently offer health insurance and you are interested in finding coverage for your employees, you may want to check out the health benefits page on the Veterans Corporation's Web site at: www.veteranscorp.org/capital/capitalInt.aspx?id=45. The Veterans Corporation may be able to help you find affordable health insurance coverage for your employees.

Another helpful Web site is: www.ehealthinsurance.com/ehi/Alliance%3fallid=Aon20050. There, you can find online health insurance quotes for both individual and small business plans, compare their prices and benefits, and apply online. If you wish to supplement your existing employee health insurance coverage, you might want to explore the options offered by HealthAllies. HealthAllies is not health insurance. It's a savings plan that offers three programs that were developed for members of the Veterans Corporation. Their Benefit Saver, Benefit Enhancer, and Benefit Replacer programs allow you to offer your employees preferred rates of 10-50 percent off the usual and customary charges for health care services such as dental, vision, prescription drugs, hearing, infertility, chiropractic, and many others. Visit the HealthAllies Web site at www.healthallies.com/enrollment/landing.jhtml?corpid=128485.

Marketing & Government Contracting

Since your clients and vendors will also be impacted by your mobilization, you should let them know what you plan to do with your business while you're gone. If you intend to mothball, you may consider planning a sale prior to your departure. A sale will allow you to unload some of your inventory before you must either store it or liquidate it. Familiarizing clients with your business before you mothball may also ease your way into getting them to come back to you when it's time for you to re-launch your business after your deployment.

If you plan to keep your business going while you're mobilized, you may still wish to have a sale or plan another type of promotional event. Getting face-to-face with your clients can help you and your key managers gather more information about your customer base and allow you to discover the best ways to reach them. If you haven't already done so, you may wish to join your local Chamber of Commerce or other business organization. Membership in these types of organizations can give you access to valuable benefits and business contacts. Your network may be particularly helpful while you are serving your country. Again, good will may come into play; sometimes people will appreciate the fact you are a servicemember and may want to help.

Sales and promotional events will put you in touch with clients, and that will be useful no matter what you decide to do with your business while you're gone. You may want to get the word out about your business by distributing press releases to local media. On the following page you'll find a mock press release, which is also included in the accompanying CD-ROM.

Office of Federal Contracting Assistance for Veteran Business Owners

The Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50) established an annual Government-wide goal of not less than 3 percent of the total value of all prime and subcontract awards for small business concerns owned and controlled by service disabled veterans and a non-numerical goal for veteran-owned small businesses.

The Veterans Business Act of 2003 (PL 108-183) added, in addition to other provisions, a contracting mechanism to enable agencies to reach the 3 percent prime contracting goal established in 1999. It also established a sole source and set-aside procurement program for service-disabled veteran-owned small business concerns.

WEB SITE: www.sba.gov/gc/indexprograms-vets.html

Email: www.SDVMail@sba.gov; (202) 205-7330

Procurement Technical Assistance Centers (PTACs)

The Procurement Technical Centers (PTACs), affiliates of the Department of Defense (DoD), are local resources that can assist you in developing an effective strategy for bidding on and winning government contracts. PTACs have a two-fold mission: 1) to assist businesses interested in selling to defense agencies, as well as 2) those interested in selling to non-defense agencies.

PTA Centers provide an array of business assistance programs to help small business owners obtain federal, state and local government contracts. Specifically, PTACs provide programs which include:

- Training seminars
- One-on-One Counseling Sessions
- Electronic Bid Match Program
- Workshops and Seminars
- Monthly Newsletters
- Reference Libraries

WEB SITE: www.dla.mil/db/procurem.htm

A Final Word

There's no question that as a small business owner and a Reservist you face many challenges in keeping your business afloat while you serve your country, particularly during a time of war. Rest assured that the SBA is ready and able to help you whether you decide to sustain or suspend business operations during your deployment. In either case, you may want to contact your local SBA office by visiting www.sba.gov/ or check out the SBA's Office of Veteran's Business Development Web site which is dedicated to this issue: www.sba.gov/reservists.

Sample Press Release

FOR IMMEDIATE RELEASE:

XYZ Company to Sustain Operations during Bob Soldier's Deployment

August 1, 2005- XYZ Company president and founder Bob Soldier has been called to serve for at least one year as a member of the U.S. Army in Operation Iraqi Freedom. During Soldier's planned absence, he will leave his business in the capable hands of John Airman and Donna Coastie. Soldier, who is scheduled to deploy Sept. 15, 2005, has planned a special sale on XYZ Company's popular wireless networking products from Aug. 15, 2005 until Sept. 14, 2005. During the sale, Soldier, Airman, and Coastie will be available to answer questions about XYZ Company's products.

XYZ Company's biggest seller is its dual band PC networking card. Many of the IT managers at the companies who have already purchased the networking card have reported that the product has helped their companies run more efficiently under the current wireless standard. "My company has been very pleased with XYZ's dual band PC card because it provides our staff with complete connectivity and compatibility. It helps us save time and money," commented GI Joe, president of MLA Technologies.

During the sale, XYZ Company will offer the dual-band PC networking card and other fine products at substantially reduced prices. "With a five-year warranty and 24 hour technical support backing up our products, our customers can't go wrong in visiting us during the sale. On a personal note, I look forward to meeting the people who do business with us" commented Soldier.

For those who can't make it to XYZ Company's store for the sale, Soldier emphasized, "We'd love to have people come see us in person at the sale, but if that's not possible, our products are available online through our Web site, as well as through independent IT retailers, catalogues, and through e-commerce sites."

About XYZ Company:

Founded in 1987 by Bob Soldier and his wife, Jane, XYZ Company is located in the hill country of Reston, Texas. Over the past 17 years, XYZ Company has produced products with the growing IT needs of corporate businesses in mind. Currently, XYZ Company's products can only be purchased in the United States, but the company is currently working on a marketing plan for Asia. Because it has consistently developed products that are reliable and easy to use, XYZ Company recently won IT Magazine's Best Manufacturer Award and has been listed by Tech Magazine as one of the top 100 fastest-growing IT companies in the United States. For more information about XYZ Company and its services, please visit the company's Web site at www.xyzcompany.net

For more information contact:

Joe Marine
Public Relations Director
Phone: 555-555-6654
Fax: 555-555-6651

Sharon Sailor
XYZ Representative
Phone: 555-555-6670
Fax: 555-555-6673

Additional Resources

This section is intended to be a quick reference to the Web sites that are referenced in this guide, as well as additional Web sites that offer important information.

Small Business Administration	Financial Assistance
www.sba.gov	www.sba.gov/VETS/lending.html
www.sba.gov/reservists	www.sba.gov/financing/sbaload/snapshot.html
www.sba.gov/vets	www.sba.gov/financing/sbaload/7a.html
www.sba.gov/GC/indexprograms-vets.html	www.sba.gov/financing/sbaload/prequalification.html
www.sba.gov/SBDC	www.sba.gov/disaster/mreidlall.html
www.score.org	www.sbaonline.sba.gov/disaster_recov/loaninfo/ecoinjury.html
www.score.org/veteran.html	www.sba.gov/expanding/grants.html
www.onlinewbc.gov/	Legal Assistance
Veterans Business Outreach Centers	www.jagcnet.army.mil/
www.vboc.org	www.jag.navy.mil/
www.coserve.org/vboc	sja.hqmc.usmc.mil/
www.vboc-ca.org	www.uscg.mil/legal/la/
www.nyssbdc.org/vboc	hqja.jag.af.mil/
General Help for Reservists	careers.findlaw.com/
www.dol.gov/vets	www.abanet.org/legalservices/helpreservists/openduringlamp.html
www.gulfweb.org/	www.army.mil/soldiers/jul2003/
www.nasdva.com	Privacy Issues
www.esgr.org	www.privacyrights.org/fs/fs6a-facta.htm
www.calguard.ca.gov	Healthcare
www.neguard.com	www.tricare.osd.mil/reserve
Life Insurance	www.dol.gov/ebsa/faqs/faq_911_2.html
www.insurance.va.gov/sgliSite/default.htm	news.findlaw.com/cnn/docs/dod/usdodrsrvfmllybnfts.pdf
Marketing	www.ehealthinsurance.com/ehi/Alliance%3fallid=Aon20050
www.sba.gov/starting_business/marketing/basics.html	www.healthallies.com/enrollment/landing.jhtml?corpId=128485
Taxes	www.legion.org/benefits
www.irs.gov	
www.taxsites.com/state.html	
www.moaa.org/	
www.uschamber.com/sb	
www.businesslaw.gov/	

All Web addresses require the prefix <http://>

Reserve Associations	Web Sites
Fleet Reserve Association	www.fra.org
Marine Corps Reserve Officers Association	www.mcroa.com
National Guard Association of the United States	www.ngaus.org
National Military Family Association	www.nmfa.org
Naval Reserve Association	www.navy-reserve.org
Naval Reserve Enlisted Association	www.nera.org
Reserve Officers Association	www.roa.org
The Military Officers Association of America	www.moaa.org
The Retired Enlisted Association	www.trea.org
Reserve Affairs	www.defenselink.mil.ra
Assistance from Service and Other Organizations	
Army Emergency Relief	www.aergq.org
Navy-Marine Corp Relief Society	www.nmcrcs.org
Air Force Aid Society	www.afas.org
Coast Guard Aid Society	www.cgmahq.org
National Veterans Business Development Corporation	www.veteranscorp.org
Red Cross	www.redcross.org
Servicemembers Opportunity Colleges	www.soc.aascu.org
Life Line Services Network	www.lifelines2000.org
Veteran Service Organizations	www1.va.gov/vso/index.cfm?template=view
Other Federal Government Links	
Department of Labor (veterans)	www.dol.gov/elaws/aud_veteran.asp
Department of Veterans Affairs	www.va.gov
Internal Revenue Service (IRS)	www.irs.gov
Office of Personnel Management	www.opm.gov/veterans/index.asp
Servicemembers' Group Life Insurance	www.insurance.va.gov/sgliSite/default.htm
Thrift Savings Plan	www.tsp.gov/index.html
Business Partners Network	www.bpn.gov
State and Local Government	www.statelocalgov.net
Credit Reporting Bureaus	
Experian	www.experian.com
Equifax	www.equifax.com
Trans Union	www.transunion.com

All Web addresses require the prefix <http://>

**Reference material and sample documents
are included on the CD below.**





Balancing Business and Deployment

Distributed by
U.S. Small Business Administration
www.sba.gov/reservists www.sba.gov/vets
1-800-U ASK SBA