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Building a business from scratch is a challenge for anyone. However, veterans have an advantage that some don’t even realize. Being in the military teaches discipline, hard work and goal setting. It also instills in you leadership skills, ambition to accomplish a mission and commitment. With these characteristics and skills already built, some of the difficult pieces of running a business is already in place. Some entrepreneurs must learn discipline, leadership and commitment. But as a veteran, you’ve already been through very difficult scenarios where you’ve had to prove these types of skills and characteristics.

Now that you know you can do it. And you have a great idea. It’s time to execute against that idea. Perhaps you’ve already tested it out with your local community and have built a set of customers. But where do you go from there? In this ebook, we’ll help you understand the many resources available for veteran-owned small businesses, how to build awareness and accelerate your business, and what to think about when seeking financing.
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GETTING STARTED

★ Education
★ Training
★ Mentorship
TRAINING RESOURCES

Getting Started

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Education is another great option for veterans looking to enhance their military experience. Completing a degree or certification can always be an advantage to building a business. Learning specific skills such as engineering, supply-chain management or marketing and advertising strategies are all useful when becoming a small business owner.

When our grandparent’s generation of Veterans returned from World War II, they fueled decades of economic growth—enabled by access to education through the Montgomery GI Bill. Today’s Post-9/11 GI Bill offers generous financial support for veterans wishing to attend college, graduate school or an on-the-job training program.

The Pat Tillman Foundation additionally offers scholarships, leadership development conferences, and a powerful national network of fellow scholars for full-time students.
MENTORSHIP

Getting Started

Becoming a small business owner and entering the world of entrepreneurship is tough. You’re going through an emotional rollercoaster, pitching your business to those who may think your baby is ugly, meeting your sales goals one month, then failing the next month, making important financial decisions and leading and training a group of people to follow your dreams. Having a mentor who has been through a similar journey and who can support and understand your emotions can help with the rollercoaster. As a veteran, many mentorship opportunities are available.

- **American Corporate Partners** offers the chance for Veterans to connect with business executives for mentorship on a regular basis.

- The Small Business Administration offers free startup and small business counseling through its **Veteran Business Outreach Centers** (VBOCs) and **Small Business Development Centers** (SBDC).

- The well known SCORE business mentoring program offers a **Veterans Fast Launch Initiative** for veteran small business owners.
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10 | ULTIMATE GUIDE FOR VOSBs

NETWORKING

Growing Your Business

The most effective tool for entrepreneurs is networking. Networking is not a one-way street. It’s about helping others find what they’re looking for, too. Veterans have a unique networking opportunity. As a Veteran, it’s much easier to relate to others who have been on the battlefield and in the trenches. We have a way of finding each other and getting organized in support of one another:

▶ LinkedIn offers its Job Seeker service to transitioning veterans free for one year to make connecting with old colleagues easy. Additionally, they’re including one year of free access to Lynda.com, a free course to help veteran or military service members transition into civilian life.

▶ RallyPoint is a professional social military network that connects active service members with military veterans and can open the doors to some great business connections.

▶ Groups such as the National Veteran Owned Business Association (NaVOBA), Military Connection, Veteran and Military Business Owners Association (VAMBOA), Veteran Business Services, The Rosie Network, and Military One-Click provide a plethora of information and events catered toward veteran entrepreneurs.
CONFERENCES

Growing Your Business

Attending national or local conferences is a great way to build a network and learn from other entrepreneurs:

- Inc. Magazine hosts a Veteran track at both its Inc. 500/5000 Conference and at its GrowCo Conference, giving veteran entrepreneurs elite access to mentors and special events.

- The Veterans Administration and the National Veterans Small Business Coalition both host yearly conferences, bringing together thousands of veteran business owners for a week of learning, business opportunity matching, exhibiting, and networking.
Veterans always went on missions with teams—entrepreneurship should be no different. Getting into a veteran business accelerator program provides working space, classes, and mentorship for veteran startups:

- **The Bunker Labs**, based in Chicago, has locations in cities around the U.S. and focuses on incubating early stage technology-enabled businesses.

- **Capitol Post**, an outpost of The Bunker Labs, provides a community for veteran entrepreneurs in Alexandria, Virginia looking to start or grow their business.

- **Eastern Foundry**, founded by veterans, serves business owners looking to tap into federal government contracting opportunities.
BASICS OF FINANCING

★ Determining Your Needs
★ Cash Flow / Coverage
★ Reasons You May (or may not) Need Funding
DETERMINING FINANCIAL NEEDS

Basics of Financing

 Asking for money for your business can be scary. As a business owner, you know that having funding will allow you to get to the next step in your business, whether that means money for startup costs or to grow your business to a new location for example.

Having a strong understanding of the economics of your business is very important when thinking about financing. As a startup business, accurately calculating these numbers can be difficult, which can make it more challenging to get funding. Being in business for a year or more helps those lending money to your business understand where you have been and the potential of your business. Knowing the story behind what your business is about, your goals and what you need to get there can be very compelling to lenders.

The most important thing is to never try to get funding in times of emergency. It’s always advisable to secure funding before times like these. Understanding your cash flow is key to preventing emergency financial situations.
One of the most important metrics to understand when seeking funding is your net cash flow or coverage. Lenders call this Debt-Service Coverage Ratio. The Debt-Service Coverage Ratio (DSCR) is a measure of the cash flow available to pay current debt obligations, which is the responsibility to meet the terms of a loan contract.

In easier terms, if you’re making a product that retails for $10 and it costs $8 to make it, you have $2 left over to pay for operating costs such as your staff or to keep the lights on. Having a loan that requires a $3 payment is not ideal because you can only make a $2 payment and you likely have other operating costs as well. It might make sense for you to raise prices or lower your costs to find a way where you can support a larger debt burden.

If that is not possible, you may need to rethink your options. The lender may be able to tell you how much debt you can actually cover per week or per month. Lending outside of your coverage range is irresponsible because you may not be able to make the weekly or monthly payments and could put you out of business. Understanding what you can afford to pay in terms of debt will help inform you and your lenders of what kind of loan you can get in order to responsibly grow your business.
Another question to ask yourself is, what is the nature of your need for funding? As cash flow and coverage are the most important things to understand about your business, knowing the nature of your potential funding is also important. Understanding how you will use the money you receive can really help you get the most out of your funding.

- Are you using it to start a business? Typical startup costs could be one-time costs such as incorporation fees or a sign for your building. Ongoing costs might include insurance, utility bills or ordering inventory.

- Are you planning on growing your business with the funding you receive? There are many ways to grow a business depending on the demand for your product or service. It may mean expanding to another location, creating more products or purchasing an asset to produce more.

Let's say you're a restaurant and in your kitchen you have a few ovens, and you're able to make 50 pizzas a day. But you know that you can sell 100 pizzas a day based on what your customers are asking for. You just don't have enough ovens to do it. You could then, get financing for a new oven.
REASONS WHY YOU MAY (OR MAY NOT) NEED FUNDING

What’s the Nature of Your Need?

A lender help you finance a new oven, and then with the additional sales, pay that loan back. Once it's paid back, now you have a business that's generating 100 pizzas, when you used to have one that was generating 50.

Are you needing financing because of an emergency? As mentioned at the beginning, seeking funding in times of an emergency can be highly risky. It’s always advised to secure funding in advance and to anticipate times like this. Rates are normally much higher when getting a loan at such short notice.

This brings us to our next questions – How urgent is your need?

It’s always advised to secure funding in advance and to anticipate times of emergency.
REASONS WHY YOU MAY (OR MAY NOT) NEED FUNDING

How Urgent is Your Need?

Any financial advisor will tell you that it’s always better to anticipate your needs rather than asking for money in an emergency. It’s much harder to get an approval for a loan under pressure and the rates can be much higher. Securing funding in advance can always help your business.

If you need funding quickly, a small community bank is probably not your best option. It can be pretty intrusive as they typically require a lot of paperwork (business and personal financials, tax returns, business plans, contracts, etc). They do a lot of due diligence but it can take months to get your capital. Your business might need funds tomorrow. There are plenty of other alternatives with a faster turnaround time and competitive rates. These rates may not be as low as a bank, but it may be the bridge to financing your business to help get through a certain amount of time before getting the bank loan or SBA loan.
Is Your Business Seasonal or Cyclical?

Some businesses are seasonal or cyclical. Seasonal needs are typically short term and can consist of smaller loans with quicker maturation. Cyclical industries such as construction may need loans through times of depressed periods when cash flow is erratic or unpredictable.

For example, if you’re at the end of your billing cycle and you’re going to invoice your clients next week and give them 30 days to pay the invoice, you don’t have cash right now to pay your bills, but you will have cash in another month. You could use a seasonal loan to pay your bills in the short term and pay the loan off once your clients pay you.
TYPES OF FUNDING

Depending on the stage of your business, you’ll have different options to financing your business.

Once you’ve determined your financial needs, ensured cash flow is in place, know what you will use funding for and how urgent the need is, you’ll want to look at what type of financing is available. There are a few ways to think about financing your business. The main avenues to secure funding are self-financing, raising equity or applying for debt equity.
TYPES OF FUNDING AVAILABLE

Self-financing

You could be in the infant or idea stage, an early stage business or at the growth stage. Whichever stage you’re in, self-financing is always the easiest and best option if you have it available. If you’re fortunate enough to have your own money to finance your business, that’s typically the cheapest, but most risky option to you.

It’s the easiest option because nobody has to be convinced about your business and you don’t need to go through an approval process as you would for a loan. Because you don’t have any other partners or shareholders, you don’t need to report or manage any of them. You’re also receiving all of the revenue on your own.

However, self-financing incurs the most risk to yourself. You have limited resources, which can limit the size, scope and scale of your business. If your venture fails, all of the consequences are yours to deal with. Depending on the type of business you own, you’ll most likely need some cash to run the business. If you’re using money from your savings account and run out of money, it will be very difficult to continue your business.
Fortunately, there are a couple of other ways to get financing.

- **Equity financing** is a method of raising capital by selling a portion of your company to investors in exchange for cash. The proportion of the company that is sold to investors depends on how much the owner wants to give up or needs in financing to grow his/her company.

- **Debt financing** is the most common type of financing, especially for small businesses. Most debt financing means borrowing money from a lender but not giving up ownership. There are many aspects of debt financing to consider and it can be a really good option for most small businesses depending on the stage of the company.
**Types of Funding by Company Stage**

- **Infant/Idea Stage**
- **Early Stage**
- **Growth Stage**
INFANT / IDEA STAGE

Types of Funding by Company Stage

Businesses in the infant/idea stage have 0-1 years in business and little-to-no-revenue. Companies at this stage have a few options for funding including self-financing, equity and debt. In addition to these, you have to be very creative on other ways to get funding for your business. Here are a seven extra ways to get funding for startup companies:


Grants are a great way to get free money. Normally, you don’t have to pay these back. However, they are hard to find but the best option. You could apply for a few whenever they become available. For example, StreetShares formed a grant program called Commander’s Call for Veteran-owned or military-spouse businesses. Most programs like these require you to pitch your business. You’re going up against other small businesses as well. Making sure you have a great pitch and following the requirements can help increase your chances of winning.
**INFANT / IDEA STAGE**

*Types of Funding by Company Stage*

2. **Self-employment grants from the VA for service disabled veterans.**

Vets seeking this grant must have good business plan, but doesn’t need to have revenues. This grant also doesn’t need to be repaid. Franchises may be approved if they are endorsed as part of self-employment program. One of the main eligibility requirements is if you’re within the time limit of 12 years from the date the VA notified you that you are at least 10 percent service-connected disable.

3. **Co-investment or loan from the 3Fs: Friends, Family, and Fools** (e.g., family, friends, or rich uncle).

Most people can get limited funds from family. There are a couple ways this could work. You could borrow some money from a friend or family member and pay them back once you have the funds. This can be a good option because they most likely will not charge you an interest rate. However, some friends or family members may not have enough cash. But it doesn’t hurt to ask if that’s the route chosen.

Another way is to ask your “rich uncle” to actually invest (equity financing) in your business. In this way, he will have some control or influence over
INFANT / IDEA STAGE

Types of Funding by Company Stage

the company depending on how much he has invested and will get returns over time. Again, this is risky as you’re giving out part of your future expected returns. Asking for a loan or a co-investment have many great pros, but it can make things awkward during Thanksgiving dinner if your agreement doesn’t go as planned.

4 Rewards-based Crowdfunding (e.g., Kickstarter.com or Indiegogo.com).

Crowdfunding is another great way to get money for your business. It’s a form of crowdslourcing to raise money. Despite the quick access to money and the advantage of marketing your business on these sites, you must give contributors some token gift. This gift could be a t-shirt, thank you letter, product or discount for your product. Creating a compelling story for these campaigns can make it viral and therefore help make the campaign to be very successful.

5 Investment Equity Crowdfunding.

Equity crowdfunding allows you to fundraise online from accredited investors. Angel.co, crowdfunder.com are a few examples. Veteranacrowd.com is an equity crowdfunding platform focused on veterans. These programs
INFANT / IDEA STAGE

Types of Funding by Company Stage

raise money for your businesses and often offer services such as business consulting, negotiating contracts, support services such as accounting, management and strategic consulting and investment relations. However, these platforms may take a hefty fee and are typically only a good option for high-tech startups.

6 Philanthropic Loans.

Philanthropic loans such as Kiva.com offer low-income entrepreneurs crowdfunded loans at no interest and usually up to only $10,000. These must be repaid but again, at no interest. Capital comes from a community of people who believe in small businesses. Borrowers are required to encourage friends and family to get involved and lend to your businesses. After that, others are welcomed to lend.

7 Angel Investors/Venture Capital.

Angel investors are affluent individuals who provide capital for startup businesses usually in exchange for ownership (equity financing). Venture Capital firms or funds may be made up of angel investors. Angel investors and venture capital firms usually only invest if they think they can get 10 times the return when the company is sold.
These early-stage startup businesses must be projected for high growth or have already demonstrated high growth (in terms of employees or revenue). Investments are typically between $250,000 and $1 million. Veteran-focused angel groups include Hivers and Strivers and Moonshots Capital.

Generally these types of equity investors are only interested in high-tech startups, unless the company has more than $10 million revenues, in which case private equity funds may be interested. Although, these groups invest large amounts of money, they usually require you to give up part ownership of your company and may want to be part of your Board of Directors.
EARLY STAGE: 1+ YEAR, $25K

Types of Funding by Company Stage

Businesses in this stage have at least one year in business and $25,000+ in revenue. At this stage, most banks will not lend to the VOSB. However, alternative lenders and angel investors/venture capitalists may be an option for debt or equity financing. There are many sharky lenders out there. Here are a few things to look out for and understand:

▶ Merchant Cash Advance (MCA) and other short-term, high-rate lenders. These lenders often charge 50%-100%+ APR but the rate is hidden from the borrower. Rates of this kind often quote in daily, weekly, or “factor” rates.

▶ Repayment/Prepayment Penalties. VOSBs should also not accept a loan from lenders that charge a repayment/prepayment penalty.

▶ Costs of a Loan. An honest, transparent lender will provide you with the interest rate and APR of the loan, your weekly or monthly payment, the total cost of the loan and all of the fees included.

▶ Default/Delinquency. Lenders should let you know what will happen if your loan goes into default or if you’re late on a payment.
EARLY STAGE: 1+ YEAR, $25K

Types of Funding by Company Stage

▶ Small Business Borrowers Bill of Rights. A couple dozen alternative lenders have signed the Small Business Borrowers Bill of Rights available at http://www.responsiblebusinesslending.org/. This public pledge shows a commitment to engage ethical small business lending.

Here are some financing options for early-stage Veteran-owned Small Businesses:

1. Loans from Alternative or Online Lenders.

Many online lenders are available but StreetShares (disclaimer: author’s company) offers a unique program for veterans. StreetShares makes veterans business loans from $2,000 to $100,000. Loans are backed by investment from StreetShares investor members who are veterans, active duty and their families. Social trust between investors and borrowers lowers the risk of the loans. Therefore, lower risk equals lower rates paid and safer investments for investors. Rates are typically higher than banks, but lower than a credit card.

The application process is completely paperless and online or via mobile phone. In this way, it’s very easy for business owners to qualify and apply for a loan. Once a business is approved, funding is available within days. It’s free to apply for a Street-Shares loan and the process is fully transparent.
Types of Funding by Company Stage

EARLY STAGE: 1+ YEAR, $25K

Since this is debt financing, the loan must be repaid. StreetShares lends only to small businesses in operation for at least one year or have $25,000 in revenue. They also look for owners with personal credit scores above 600. Some startups are qualified if they are making more than $100,000 in revenue.

Angel investors/Venture Capitalists.

Angel investors are affluent individuals who provide capital for startup businesses usually in exchange for ownership. Venture Capital firms or funds may be made up of angel investors. Angel investors and venture capital firms usually only invest if they think they can get 10 times the return when the company is sold.

These early-stage startup businesses must be projected for high growth or have already demonstrated high growth (in terms of employees or revenue). Investments are typically between $250,000 and $1 million. Veteran-focused angel groups include Hivers and Strivers and Moonshots Capital.

Generally these types of equity investors are only interested in high-tech startups, unless the company has more than $10 million revenues, in which...
Types of Funding by Company Stage

EARLY STAGE: 1+ YEAR, $25K

case private equity funds may be interested. Although, these groups invest large amounts of money, they usually require you to give up part ownership of your company and may want to be part of your Board of Directors.

As a Veteran-owned business, StreetShares has been able to help us come up with creative financing options to fund our growth for the next year. If you’re a small business with rapid cash needs, we recommend StreetShares as a trusted partner.

– Matthew “Griff” Griffin
Former Army Ranger and CEO of Combat Flip Flops
GROWTH STAGE: 2+ YEAR, $150K

Types of Funding by Company Stage

This is a very exciting period of a business. Your business is growing in revenue and in number of employees. Businesses in this stage have been in operation for 2+ years and have at least $150,000 in revenue. At this stage, businesses begin to have more financing options available.

1. Lines of Credit from Alternative or Online Lenders.

Many online lenders are available but StreetShares (disclaimer: author’s company) offers a unique program for veterans. StreetShares makes veterans business loans and lines of credit from $2,000 to $100,000. Loans and lines of credit are backed by investment from StreetShares investor members who are veterans, active duty and their families. Social trust between investors and borrowers lowers the risk of the loans. Therefore, lower risk equals lower rates paid and safer investments for investors. Rates are typically higher than banks, but lower than a credit card.

The application process is completely paperless and online or via mobile phone. In this way, it’s very easy for business owners to qualify and apply
for a loan. Once a business is approved, funding is available within days. It’s free to apply for a StreetShares loan or line of credit and the process is fully transparent.

Lending to vet-owned growth stage companies is ideal. The StreetShares line of credit product is very popular for growth stage companies. Lines of credit allow businesses to increase working capital to cover their expenses such as payroll, supplies and obtaining extra inventory, just to name a few. In basic terms, a revolving business line of credit offers qualified businesses a specified amount of always available credit for a certain amount of time, at StreetShares it’s typically 60 days. This type of debt financing is repaid weekly and can be borrowed again once it’s repaid. Interest still accumulates. It can be used again and again as long as you do not exceed the maximum allowed limit.

Although loans or lines of credit may be more expensive than traditional banks, the process is much easier and faster and can fill the gap that many growth-stage businesses are looking for.
GROWTH STAGE: 2+ YEAR, $150K

Types of Funding by Company Stage

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Types of Funding by Company Stage

3 Traditional Bank or SBA-backed Loans.

Banks, credit unions and other specialized lenders participate with SBA to provide business loans structured under the 7(a) guidelines. The main veterans program from SBA called Patriot Express was discontinued in December 2013. But SBA now waives its fees for Veterans to get most 7(a) loans. SBA’s LINC (Leveraging Information and Networks to access Capital) matchmaking tool connects entrepreneurs and viable SBA lenders.

Bank interest rates are usually the lowest among any other type of lender. And if you’re getting an SBA-backed loan, you’ll probably get a better loan than an alternative lender. However, a borrower must go through a lengthy process that could take more time than you may think. Banks require a lot of red tape and time go through your application. They also typically do not lend to businesses with less than two years of operations or with less than $100,000 in revenue.
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DOCUMENTS TO PREPARE

- Business Plan/Summary
- Legal Documents
- Tax Returns
- Financial Statements
- Personal & Business Credit Reports
- Personal Income & Collateral
DOCUMENTS TO PREPARE

Depending on what type of financing you’re seeking, you’ll most likely need to prepare documents for equity or debt financing. Since debt financing is the most common source of financing for small businesses, let’s look at what documents are required from most financial institutions.

Most traditional banks will require extensive documentation as it’s very risky for banks to secure small business funding. Other alternative lenders will not need such an extensive process. However, rates for alternative or online lenders could be higher as these are usually short-term loans or lines of credit.

- **A Business Plan:** This is a strategic document that communicates the overall business goals and how to achieve them. Having a business plan in place is considered a living document and should be continually updated as the business grows and changes. A business plan is usually required by banks but not online lenders.

- **Business Legal Documents:** You’ll need proof that you own a business and that it’s operating legally. These documents include your corporations articles (or certificate) of incorporation, state registrations and applicable licenses.

- **Tax Returns:** You’ll also need proof that you’ve paid taxes over a certain amount of time, usually stated by each lender. Some lenders require business and
DOCUMENTS TO PREPARE

personal tax statements for the last three years, some may only require two years or less if you have a rather new business.

- **Financial Statements:** Financial statements include balance sheets, profit and loss statements and projected financial statements. By providing these documents, a lender can determine how likely and able you are to pay back a loan.

- **Personal Credit Reports:** Obtaining your credit report from all three major consumer credit rating agencies and ensuring they are accurate is very important. Lenders will pull your credit report and if there are any blemishes, it can slow the application process down.

- **Business Credit Reports:** The same goes for business credit reports. Many lenders use Experian to look at business data from the Small Business Finance Exchange (SBFE), which is where most banks report loan data. The Equifax report reflects how a business owner makes credit card payments or loans. Review these before the application process, address the issues, and it will go a lot smoother.

- **Personal Income and Collateral:** Personal financial statements include personal income in the form of bank statements, credit, asset liens and potential collateral. These documents also give lenders a good idea of how likely you are to pay back a loan based on personal credit, auto loans and mortgages. This is similar to a credit report. Lenders may ask for these documents for the past six to 12 months.
CONNECTING YOUR NEEDS

with a Trustworthy Lender

Understanding your business economically is the most important aspect when seeking financing. Determining your financial needs, why you need funds and how urgently you need them can be determining factors into which type of financing to go after. Gathering all of the advised information and learning about the different types of lenders are the first steps in getting financing.

Working with an honest and transparent lender will always be helpful when weighing your options. The most important costs to weigh are the interest rates and APR of the loan, your weekly or monthly payment, the total cost of the loan and all of the fees included.

StreetShares gives full transparency with any interested borrower. With an easy, online application process and staff on call with any questions, StreetShares can tell you in just a few minutes whether you are a good candidate for a loan.
FAST. FAIR. AFFORDABLE.

Getting a small business loan doesn’t have to be intimidating. Every lender has different requirements and different application processes.

StreetShares offers a fast, transparent application process. A small business can apply in minutes and in many cases, get funding in days. We offer 3-36 month term loans and lines of credit up to $100,000. There are no hidden fees and you can apply for free.

APPLY NOW to get access to funding

CONTACT US to discuss your needs