A Mobilization Planning Guide for Small Business Owners Serving in the Arkansas National Guard or Reserve
# READY TO GO
Mobilization Planning Guide

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FORWARD

The READY TO GO Planning Guide was prepared for business owners and self-employed members of the Arkansas National Guard and Reserve by the Arkansas Small Business and Technology Development Center network staff in conjunction with the Office of the Adjutant General of the Arkansas National Guard.

The Arkansas Small Business and Technology Development Center thanks Major General William Wofford, Adjutant General, for seeing the need for this guide and allowing the ASBTDC to work with his staff in developing, posting, and distributing the guide to impacted soldiers and airmen. Thank you to Andy Lamonica, SBDC liaison officer and Veteran Affairs Officer with the Little Rock District office of the U.S. Small Business Administration, for providing material for the guide. Thank you to all of the ASBTDC staff around the state who took time to review, advise, and critique.

Finally a special word of thanks to SFC (retired) Barbara Lee, Transition Assistance Advisor in the Office of the Adjutant General, Arkansas Army National Guard, for keeping up the communications between the Adjutant General’s office and the ASBTDC and facilitating meetings as needed.

– Herb Lawrence
Center Director, Small Business and Technology Development Center
Arkansas State University
INTRODUCTION

Since 1990 thousands of Arkansas’ sons and daughters who are in the National Guard and Reserve have been deployed to active duty, serving in Operations Desert Shield/Desert Storm, the Balkans and the Sinai, Operation Iraqi Freedom, Afghanistan and on border security and during Hurricane Katrina. Many have been deployed with little notice. These Arkansans willingly left friends, family, and jobs to meet their obligations as citizen soldiers or airmen, often at great personal sacrifice. The continuing deployment of Arkansas units has brought home the importance of personal and professional readiness. While this need for readiness is true of all service members, Guardsmen and Reservists who are business owners or self-employed face additional challenges upon deployment.

Arkansas business owners who are notified for deployment face concerns such as:

- Who will operate my business while I am away?
- Who will take care of bookkeeping and tax issues?
- How will my suppliers be paid?
- How will I service business loans or other debt incurred by the business?

Of those previously called for active duty, business owners with contingency plans in place before their mobilization were able to make an easier transition from civilian to military life. However, many who had not prepared their businesses before being called for active duty experienced significant financial difficulties.

❖ Developing Your Business Mobilization Plan

Regardless of the size of your business, number of employees, or type of industry, developing a well-thought-out Business Mobilization Plan is critical to your business’s survival once you return from active duty. First, no two businesses are the same, nor will every business owner use all of the information provided in this guide when developing his or her unique plan. The guide was developed to address a wide variety of issues and potential areas of concern that a small business owner should consider in the event of mobilization. A doctor with several partners and a staff of 15-20 needs to develop a far more comprehensive plan than a self-employed contract trucking operator with no employees.

Second, do not prepare your plan alone. Include family members and/or key employees in the process, especially if they will be responsible for implementing the plan once you deploy.

Third, use outside professional consultants while developing the plan. Consult your accountant and legal counsel, especially if they will be required to act on your behalf or make decisions for the business in your absence. Include key employees/family members in these meetings as well. Make sure that individuals who will be responsible for operating your business know whom to contact if they have questions or run into problems.

Fourth, take advantage of the free consulting assistance available to small business owners around the state through the Arkansas Small Business and Technology Development Center network and/or the U.S. Small Business Administration’s Service Corp of Retired Executives.
(SCORE). ASBTDC consultants have copies of this guide and can be of tremendous help as you develop your plan. Again, include key employees or family members in meetings with ASBTDC consultants. Make sure they know that the ASBTDC staff is available to respond to their business-related questions while you are gone. For more information about contacting your nearest ASBTDC office, see Appendix 4.

This planning guide should be supplemented by information from professional organizations, colleagues, and other qualified advisers. By using this information to develop a comprehensive plan for your business prior to mobilization, you will find it easier to make future transitions.
BUSINESS PLANNING PRIOR TO MOBILIZATION

As a member of the Arkansas National Guard or Reserve, you have taken on the challenge and the honor of protecting America’s freedoms. In doing so you recognize that it is a constant challenge to balance military duties, family responsibilities, and business obligations.

In order to be ready for mobilization, you must prepare your business interests before an actual alert and mobilization. Prior planning will help reduce stress-producing situations and minimize the possibility of financial loss for your business concerns. This planning guide offers basic information and suggestions for getting your business ready in the event you are ordered to active duty.

Carefully researching all your options upon mobilization will benefit you, your family, employees, colleagues, and business. You may also consider having more than one plan in place in case circumstances dictate a different course of action. Mobilization planning for your business should be an ongoing activity, and it is critical to test mobilization plans as often and as realistically as possible. Conducting occasional “test-runs” to determine your business readiness is a key element to a successful plan. You can then eliminate any identified shortfalls by immediately incorporating the lessons learned during the test periods into your business plan.

The time you devote developing an effective plan will provide the foundation, organization, and security you will need to fulfill your military duties and responsibilities with the least amount of disruption – to you, your family, your employees, and most importantly, your customers and creditors.

This planning guide is intended to walk you through issues that will help you:

- Get your business affairs in order.
- Ensure that your clients, customers, patients, employees, and business associates are taken care of during your military service.
- Provide sample suggested procedures, checklists, and letters that will facilitate the business readiness process.
PREPARING YOUR BUSINESS FOR MOBILIZATION

Every Arkansas Guardsman or Reservist who owns a business or is self-employed should prepare some type of Business Mobilization Plan, keep it on file, and update it annually. A properly written action plan is both a method of achieving the desired result and a measure of success. Remember to include absences for weekend drills, annual training, or Continuing Medical Education (CME) and to designate someone to implement the plan in the event you cannot do so. It’s crucial that every person affected by your mobilization is prepared and understands their responsibilities and the contribution you are making in the defense of our nation.

The basic purpose of any business is to meet both current and future customer needs while earning a reasonable profit. As a business owner, you probably have a strategy that outlines your business goals and objectives and focuses on meeting customers’ future needs. As a member of the Arkansas Guard, you must also evaluate your business plan and align its objectives and strategies with your military duties. Put simply, you must balance your personal life and the stability of your business with your military service. Developing a realistic plan will help to ensure that you do not alienate colleagues, employees, or customers because of your military obligation.

❖ Business Options in the Event of Mobilization

Many Guard and Reserve members opt for business continuation, a plan to maintain operations as though there were never any interruptions. For example, if you’re the owner of a restaurant, your business could remain operational in your absence under the supervision of a responsible employee, partner, or family member.

Others may choose to sell or close their businesses. The fair market value of the business must be determined before deciding to sell or close. For example, if you’re the exclusive manufacturer of a critical component needed by a larger company, selling the business might be considered as an alternative. It is possible that you will be able to sell your business in a short period of time, at its value, because you fill a critical need for a valued customer. However, if you own a small carpentry shop servicing local builders, you may need to examine the option of closing. In this situation, you’re not providing an exclusive service, and the builders are likely to go elsewhere in your absence. The loss of customers and revenues would reduce your company’s viability and value upon your return.

In any case, put whatever option you choose in writing, review it with your legal and financial advisers, and update it periodically. Professional business organizations and legal and financial advisers are also excellent resources for helping you develop the right plans for your business, your family, and your mobilization. A list of resources is located in Appendix 4. To begin the planning process, ask yourself the following questions:

• Is it in my best interest to keep the business open, close it, or sell it?
• Whom do I need to notify once my decision is made? How and when do I do so?
• What do I need to do first?
OPTION 1
Keeping the Business Open

• Who will handle financial affairs (accounts receivable, billing, collections, bank accounts, business overhead expenses, etc.) in my absence?
• Who will be responsible for customers, daily operations, manpower planning, and critical decisions?
• Who will solve problems on my behalf while I am gone?
• How will I support the business financially (expense payments)?

OPTION 2
Closing the Business

• Who needs to be notified and how much notice do they need?
• Are there any specific legal, financial, or inventory obstacles that may be a problem?
• When will my employees be notified and who will handle the notification?
• What should I do with office furniture, business equipment, and/or industry machinery that I currently own or lease?
• Who will act on my behalf if the closing is not completed by the time I deploy?
• How will the last payroll be handled? Who will manage the process?
• Who will collect and handle accounts receivable?

OPTION 3
Selling the Business

• What is the realistic value of the business?
• Should I enlist a broker or try to sell the business myself?
• Who will take over if the sale does not occur before I leave?
• What parties need to be notified before, during, and after the sale?
• Should I develop a formal buy-sell agreement?

❖ Influencing Factors

When considering your various business options, it is important to keep in mind two key factors:

• Is your business in a service or non-service industry?
• What is the value of the business?
Service vs. Non-Service
Arkansas National Guard and Reserve members in service-related industries such as banking, finance, and health have a major advantage over other types of businesses due to customer loyalty. Since these customers tend to be more dependent on you for the services you provide, they are less likely to switch to another supplier in the event you are mobilized.

For this reason, many Guardsmen and Reservists in service industries choose to continue their business or only close it temporarily. For example, during deployments, some physicians have found that advanced planning enabled their associates to temporarily absorb their patient load in their absence.

The market dynamics and daily requirements in non-service industries such as agriculture, construction, manufacturing, and retail result in customers who are less dependent on you and, therefore, more dependent on uninterrupted work or supplies.

Guardsmen and Reservists in non-service industries may want to consider either business continuation or selling their businesses. The owner of a pet shop large enough to have an office manager could continue the business with a well-defined action plan. Conversely, a sole owner and operator of a small video store without competent employees or family members may attempt selling the business, with the option to close if a buyer is not found in time.

Business Value
Because the value of your business is likely to change from year to year, you should determine what your business is worth and update information annually. It’s also important that you communicate with your broker, accountant, or attorney as well as update your list of prospective buyers. This will help you develop short- and long-range business plans and determine whether to remain open, close, or sell if you are called to active duty.

❖ Long-Term Planning
Long-term planning helps business owners manage and adapt to anticipated changes (economic, competitive, and military) in their businesses. The key benefit of this type of plan is that it establishes a formal business direction in writing to take advantage of company and employee strengths and minimize weaknesses. Your strategic plan should be flexible but should meet the following criteria:

- Be a working document that is updated annually
- List specific, detailed, and clear objectives
- Be organized and prioritized with a customer emphasis
- Measure results for comparison against original objectives

A basic plan includes a mission statement, business definition and objectives, strategies, and actions needed to achieve the company’s objectives. Several simple long-term or strategic plans are shown in Appendix 5. Most strategic plans for non-service industries will also need to include
a customer analysis, manpower planning, management reporting, and personal planning prior to a mobilization.

**CHOOSING THE RIGHT OPTION FOR YOUR BUSINESS**

- **Continuation**

Each business needs key managers or “unit leaders” who know enough about customer service, financial issues, human resources, and management reporting to keep it afloat. Your ability to identify those employees or family members who are key players will be critical when developing your mobilization plan.

**External Organization**
Businesses often rely on the assistance of an advisory board or a board of directors for on-going advice. You may want to consider establishing such a board. Your lawyer, accountant, local business and civic leaders, and marketing executives can all be excellent resources since they offer a diverse array of experience and opinions on many business issues.

**Customer Analysis**
Specific actions you can take include:
- Identifying your best-paying and most-profitable customers and developing specific action plans to protect each of them.
- Setting aside time to develop new customer relationships to replace those likely to leave in your absence.

**Manpower Planning**
Manpower planning involves reorganizing your employee work schedules to optimize their talents to address specific short-term changes in your business. It allows you to minimize any business disruptions your absence may cause. To determine manpower needs, you should ask yourself:
- What are the key elements of my job?
- Which of these elements can be performed by someone else with reasonable training?
- Does anyone internally or externally have the foresight and business savvy to make critical decisions in my absence?
- Where can the business find the expertise to replace mine, if necessary?

This planning is critical to your business continuation plan as you will likely hand over your responsibilities to more than one employee, colleague, or family member.

**Management Reporting**
Management reporting includes the preparation of key operational information: sales, profits, and cash flow. The performance of your organization is judged in terms of the effort each operating segment contributes to your personal and business financial goals.
Of the various reports, financial statements are, by far, the most important. The two basic financial statements are the **income statement** and the **balance sheet**. Together, these statements give an accounting picture of the firm’s operating and financial position. What your financial adviser or accountant can determine using these statements:

- Your company’s ability to meet short- and long-term obligations.
- How long you must wait to receive payment from your customers.
- How timely you pay creditors.

While financial statements are often an excellent starting point, they do not generally provide the answers to specific operational questions, including:

- Who are my most productive employees?
- What is my most profitable market segment?
- Who are my most profitable and least profitable customers?
- How much cash is generated daily, weekly, and monthly?
- Are my expenses too high, and if so, why?

There is a wide variety of management reports. However, at the minimum, your management reporting system should include:

- A measure of monthly cash receipts versus cash outflow for payables and labor.
- A summary of customer account receivables. An aging system will ensure the oldest invoices are resolved first.
- A measure of profitability by product or service and product or service segment – by customer or salesperson.
- A detailed comparison of projected expenses versus actual expenses.

The ultimate test of your management reporting abilities is not only understanding the financial and operational trends reported but reacting to them and planning for the future based on this information. Given the importance of this job function, you may want to go beyond your internal organization to find a financial adviser who can monitor this information in your absence. Either way, you should plan to communicate with the person responsible for managing your business while you are on active duty.

**Personal Planning**

As recent deployments have clearly revealed, some Arkansas National Guardsmen were unprepared when it came to personal mobilization planning. Individuals involved in businesses, especially owner-operators, must consider succession, tax planning, and the unique issues inherent to family-owned businesses.

It’s a good idea to meet with your financial and legal advisors to discuss how your military service will influence your tax status as an individual and as a business professional. They can advise you on what paperwork must be completed before, during, and after your military service.
As unpleasant as it may be, you also need to determine what will happen to the family business in the event of your death or disability resulting from your military service. These decisions should be made with your loved ones. Making a decision prior to your deployment could eliminate rash decisions that may result when everyone is under emotional distress. Your attorney can provide guidance in this matter.

**Other Options**

The decision to **sell** or **close** a business is one of the most difficult and emotional decisions you will experience as a business owner. Whether you are selling or closing, the process takes time, tremendous attention to detail, and a well-developed plan.

**Selling the Business**

Don’t confuse business value with price. A key objective of your plan should be to annually determine business value – what a business should be worth to you. Price is what you agree to sell for. How close the price comes to your business value will depend on negotiation and time. Generally speaking, an unprepared, mobilized National Guardsman or Reservist with little time will find the negotiating price moving downward. Your goal is to have the price approximate or exceed value. Several items you should consider:

- Selecting and developing a relationship with a competent broker well in advance.
- Identifying and notifying prospective buyers, in advance, through ongoing business relationships.
- Selecting an attorney who has expertise in real estate matters and requesting his/her assistance in developing an action plan.
- Consulting with your financial advisers on the tax implications, personal and business, of the intended sale.

**Closing the Business**

Closing your business can be a large undertaking. Your plan must be detailed enough to protect you but simple enough to be implemented quickly. However, before you proceed, you must decide whether you are closing your business permanently or if you plan on reopening your business upon your release from active duty. It is strongly recommended that you contact your attorney and financial advisers during the development of this portion of your plan.

Some things to consider before closing your business, either permanently or temporarily:

- Determining how long you will need employees to handle collections, invoicing, customer service, etc.
- Notifying and coordinating termination of service, insurance, magazine subscriptions, etc.
• Securely storing all customer records, licenses, diplomas, credit cards, indications of health care memberships, etc.
• Initiating the transfer or storage of customer records.
• Implementing your asset distribution plan.
• Considering the future of your staff.

Temporary Closing
Some Reserve or Guard members, such as those in health care industries, elect to close their businesses temporarily. However, before deciding on this option, be honest with yourself in the planning process. Do you really have the financial, manpower, legal, and marketing resources to support this decision? After evaluating these resources, some Guard members have decided it was better to implement a continuation plan, sale, or permanent closing of their businesses. These decisions changed the rest of their mobilization plans.

If you do close your business temporarily, having a plan to reopen your business is as important as preparing for mobilization. You should go through similar notification procedures as outlined above, but in a reverse approach. Timely notification of your intent to re-establish your business with key advisers and organizations, insurance carriers, employees, and customers is especially important and should be done as soon as possible.

Many Guardsmen who were mobilized during recent deployments developed marketing plans to help reestablish their businesses upon return from active duty. Some of the more successful plans included accepting speaking engagements, issuing press releases, and mailing out fliers. Some Guardsmen even took advantage of the mobilization to move their businesses to more desirable locations.

Your marketing plan should be well thought out and organized to support your transition from active duty to civilian status. During your demobilization, you may want to consider having someone assist you with implementing your plan. This will ensure that the process is ongoing when you return home.

BUSINESS PLAN CHECKLISTS

Reviewing the important business elements described in the previous section, down to the smallest detail, should ensure a successful plan requiring the least amount of supervision during the premobilization phase of readiness. Readiness, after all, is the main objective of a Business Mobilization Plan.

The information contained in this planner is intended as a guide. It should be supplemented by information from professional organizations, colleagues, and other qualified advisers. The following checklists will help you organize the planning process. You should check the appropriate box upon completion of the stated activity.
**CHECKLIST 1**

**Keeping Business Open**

I have made the following arrangements in order to keep my business open in the event I am mobilized:

<table>
<thead>
<tr>
<th>Customers/Clients/Patients</th>
<th>I have analyzed my customer base and determined actions to take to ensure my customers’ continued business/care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manpower</td>
<td>I have determined the manpower needs of my business and have identified the appropriate employee(s) for each responsibility.</td>
</tr>
<tr>
<td>Employees</td>
<td>I have counseled my employees about their responsibilities and how they will be affected by my absence.</td>
</tr>
<tr>
<td>Management Reporting</td>
<td>I have prepared the necessary operational information (sales, profits, cash flow) and have reviewed it with the appropriate person.</td>
</tr>
<tr>
<td>Business Advisers</td>
<td>I have notified my business advisers (financial and legal) about their responsibilities.</td>
</tr>
<tr>
<td>Suppliers</td>
<td>I have contacted my suppliers and informed them of the appropriate person to contact for future arrangements.</td>
</tr>
<tr>
<td>Outside Contacts</td>
<td>I have arranged for notification of the appropriate regulatory and professional organizations, such as:</td>
</tr>
<tr>
<td></td>
<td>• Insurance and professional liability carriers</td>
</tr>
<tr>
<td></td>
<td>• Major health insurance carriers</td>
</tr>
<tr>
<td></td>
<td>• State licensing board</td>
</tr>
<tr>
<td></td>
<td>• Professional associations and societies</td>
</tr>
<tr>
<td></td>
<td>• Others (list)</td>
</tr>
<tr>
<td>Financial</td>
<td>I have arranged for notification of my banker, investment broker, retirement plan manager, real estate broker, lessors, and creditors.</td>
</tr>
<tr>
<td>Business Safeguards</td>
<td>I have established a system of checks and balances to safeguard me against embezzlement, loans, and unauthorized withdrawals. I have appointed a person to review and/or approve financial transactions.</td>
</tr>
<tr>
<td>Personal/Financial Planning</td>
<td>I have met with my accountant and financial adviser to discuss my personal tax status, a method to insure payroll, and arrangements for federal and state tax deposits.</td>
</tr>
<tr>
<td>Personal/Legal Planning</td>
<td>I have met with my attorney to make arrangements in the event of my death or disability, including preparing a power of attorney if necessary.</td>
</tr>
<tr>
<td>Testing Plan</td>
<td>I have conducted an annual rehearsal of the business plan and made adjustments where necessary.</td>
</tr>
</tbody>
</table>
Small business owners in the service industry should also consider:

### Customer/Client/Patient Notification

<table>
<thead>
<tr>
<th></th>
<th>I am prepared to personally contact those with appointments to provide service options.</th>
</tr>
</thead>
</table>

### Customer/Client/Patient Notification

<table>
<thead>
<tr>
<th></th>
<th>I have established a process to notify all other customers, and procedures are complete and ready.</th>
</tr>
</thead>
</table>

### Check Customer/Client/Patient Coverage

<table>
<thead>
<tr>
<th></th>
<th>I have made all necessary arrangements for coverage.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>I have coordinated with personnel at referring businesses, clinics, and hospitals where I have agreements and privileges.</td>
</tr>
</tbody>
</table>

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#### CHECKLIST 2

### Closing Business

I have made the following arrangements in order to close my business in the event I am mobilized:

<table>
<thead>
<tr>
<th><strong>Closing Options</strong></th>
<th>I plan to <strong>permanently</strong> close my business.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I plan to <strong>temporarily</strong> close my business.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Employees (Professional)</strong></th>
<th>I have counseled my employees about their responsibilities in the event I am mobilized. At least one employee has been identified to assist in the closing by handling matters such as collections, invoicing, and customer service.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Employees (Personal)</strong></th>
<th>I have reviewed with my staff the length of their health care benefits and how the payroll will be handled. I have also provided references for future job and school opportunities as appropriate.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Suppliers</strong></th>
<th>I have notified and coordinated termination of service with suppliers, utilities, postal service, insurance, magazine subscriptions, etc.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Records</strong></th>
<th>I have securely stored all customer records, licenses, diplomas, credit cards, indications of health care membership, etc.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Business Advisers</strong></th>
<th>I have notified my business advisers (financial and legal) about their responsibilities.</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th><strong>Notifications</strong></th>
<th>I have arranged for notification of the appropriate regulatory and professional organizations, such as:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Insurance and professional liability carriers</td>
</tr>
<tr>
<td></td>
<td>• Major health carriers</td>
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<td>• State licensing board</td>
</tr>
<tr>
<td></td>
<td>• Professional associations and societies</td>
</tr>
<tr>
<td></td>
<td>• Others</td>
</tr>
</tbody>
</table>
I have arranged for notification of my banker, investment broker, retirement plan manager, real estate broker, lessors, and creditors.

**Business Safeguards**

I have established a system of checks and balances to safeguard me against embezzlement, loans, and unauthorized withdrawals. I have appointed a person to review and/or approve financial transactions.

**Personal Planning**

I have met with my accountant and financial adviser to discuss my personal tax status, a method to ensure payroll, and arrangements for tax deposits.

I have met with my attorney to make arrangements in the event of my death or disability.

**Testing the Plan**

I have conducted a rehearsal of the business plan during my annual training and made adjustments where necessary.

**In addition, if business is in the service industry:**

I have notified my customers/clients/patients and made plans for their transfer.

I have made arrangements to notify referring businesses, clinics, and hospitals where I have agreements and privileges.

**If I plan to restart my business:**

I have set aside a sufficient cash reserve to restart the business upon my return from active duty.

I have developed a plan to re-establish my business.

I have discussed with employees my intent to reopen the business.

I have identified person(s) to assist or activate my plan during my demobilization.

I have established a plan to notify customers/clients/patients, key advisers, suppliers, etc., of my return and the date I will reopen.

I have developed a marketing strategy to notify customers and the community of my return.

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**CHECKLIST 3**

**Making Final Preparations**

I have provided all pertinent information about mobilization readiness to my unit and finished preparation for mobilization:

**Final Preparations for Mobilization**

I have provided my business name, address, phone, etc., to my unit.

I have provided all pertinent information and unclassified information about the mobilization process to my business advisers, colleagues, and associates.

I understand what my responsibilities are concerning a mobilization and the necessary steps to take now to minimize negative effects on my business.

I am familiar with the benefits available to me regarding my business (see Soldiers’ and Sailors’ Civil Relief Act,).

I have all bank account information to establish or continue direct deposit of my military paycheck.
DEALING WITH CREDITORS

Most businesses today operate with some type of business-related debt. Typical types of fixed obligations can include:

- Commercial term loans through banks or other lenders
- Revolving lines of credit
- Business-related credit cards
- Equipment or other types of asset leases

National Guard personnel and Reservists are protected under the Soldiers’ and Sailors’ Civil Relief Act while on active duty. The law provides a number of safeguards for their households such as protection from rent eviction, reinstatement of liability insurance, and temporary stays of judicial proceedings (except criminal) and provides some debt relief for non-commercial loans or personal credit cards.

However, the Soldiers’ and Sailors’ Act does NOT affect business credit cards or business loans or other commercial notes that the business has incurred, nor are lenders required in any way to defer payments or reduce interest rates on commercial loans even though the borrower has been called to active duty and will be away from the business.

Because so many small businesses depend on debt to operate their businesses, and their creditors expect repayment as agreed in the terms of the loan, dealing with your creditors is extremely important to long-term survival of the business.

A number of commercial lenders around the state were contacted about how they deal with customers in the National Guard or Reserves who are mobilized. Although responses from the banks varied, two consistent messages were voiced by commercial lenders:

Case-by-case decisions. The bank’s ability to work with mobilizing customers will be on an individual basis. No bank had set policies for deploying Guardsmen. The banks said they would look at each request for deferment or changes in loan structure on a case-by-case basis and consider such things as:

- Current repayment plan
- Stability of collateral
- Borrower’s alternative sources of repayment
- Management if key person is on deployment

Advance notice. Lenders indicated that in general they would be willing to consider any number of possible options with their customers, but they need time to work on alternatives before deployment. Give your lender advance notice of your mobilization, and work with the banker ahead of time.

While credit issues may not be important to larger businesses, especially where there are sufficient employees or managers to keep the business operating during the owner’s deployment who can also service existing commercial debt, smaller business owners may not be so fortunate. Determining how you will deal with commercial debt or credit issues ahead of time and working with your creditors in developing your plan is a critical component to your overall mobilization plan.
To assist small businesses, the U.S. Small Business Administration offers several assistance programs. The SBA Guaranty Loan Program provides a 75- to 85-percent guaranty to banks providing loans to eligible businesses. The guaranty not only makes the lender more comfortable with making changes to existing loan structures that would be more advantageous to the borrower, it can improve overall cash flow by reducing monthly debt service with the extended terms for repayment available under the program.

The SBA also has a direct loan program called the Military Reservist Economic Injury Disaster Loan Program (MREIDL) that can provide funds to eligible small businesses to meet ordinary and necessary operating expenses that it could not meet because an essential employee was called up to active duty. However, MREIDL is designed to help the business recover from the adverse impact of deployment, not as a preventative measure.

For more information about the U.S. Small Business Administration 7(a) Guaranty Loan Program or the MREIDL visit the SBA’s Web site at www.sba.gov. ASBTDC consultants are also familiar with SBA products and can provide assistance.
**APPENDIX 1**

**CONTACTS**

**Key Business Personnel**

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**Legal (Personal, Business, Military)**

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Financial (Business Consultant, CPA, Tax Preparer, Investment Adviser, etc.)
Business: ________________________________________________
Address: ________________________________________________
Phone: ________________________________________________
Business: ________________________________________________
Address: ________________________________________________
Phone: ________________________________________________
Business: ________________________________________________
Address: ________________________________________________
Phone: ________________________________________________
**Person(s) to Act on My Behalf (Regarding Bank Accounts, Business Decisions, Power of Attorney)**

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APPENDIX 2
TYPICAL OPERATING EXPENSES SAMPLE

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<th>ANNUALLY</th>
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<tr>
<td>Rent/lease</td>
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<td>$ ________</td>
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<tr>
<td>Equipment/furnishings lease</td>
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<td>Telephone (basic service)</td>
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<tr>
<td>Insurance</td>
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<td>- Professional liability</td>
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<td>- Fire/theft</td>
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<td>- Business package</td>
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<td>- Disability</td>
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<td>- Employee medical</td>
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<td>- Workers' compensation</td>
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<td>Employee uniforms</td>
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<td>- Office staff</td>
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<tr>
<td>- Administrative assistant</td>
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<td>- Receptionist</td>
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<td>Repairs/maintenance</td>
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<td>Debt service</td>
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<td>Association dues</td>
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<td>Professional fees (accountant/legal)</td>
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<td><strong>Total Fixed Costs</strong></td>
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<td>Utilities</td>
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<td>- Garbage collection</td>
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<td>Office supplies</td>
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<td>Equipment rental (short term)</td>
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<td>Business promotion/marketing</td>
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<td>Subscriptions/journals</td>
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<td>Continuing education</td>
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<td><strong>Total Variable Costs</strong></td>
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**TOTAL** $ ________ $ ________
APPENDIX 3
SAMPLE LETTERS

Since an Arkansas National Guard or Reserve member may decide to keep open, close, or sell his/her business during mobilization, we have provided form letters to customers/suppliers for each option. They can be tailored before use.

VERSION 1
Keeping the Business Open

Dear Mr./Mrs./Ms. Customer/Supplier:

Please be advised that effective (MONTH/DATE), (YEAR), I have been ordered to active duty in the U.S. Army.

I am pleased to announce that (NAME) will be taking over my business during my absence. (NAME) has worked closely with me at (BUSINESS NAME). I’m confident that (HE/SHE) will make sure you continue to receive outstanding service.

I look forward to working with you again as soon as I return from serving our country.

Sincerely,

(Your Name)
(Business Name)

Version 2
Closing the Business Temporarily

Dear Mr./Mrs./Ms. Customer/Supplier:

Please be advised that effective (MONTH/DATE), (YEAR), I have been ordered to active duty in the U.S. Army.

I have weighed all my options carefully. In my absence, I do not feel it would be fair to ask valued customers like you to accept lesser-quality service than you deserve. Therefore, in the best interest of my customers, I must close my business temporarily for the duration of my military service. The last official date my business will be open is (DATE). By that time, I hope to have all business matters resolved between us.

I will inform you of my business reopening as soon as I return from serving our country. I look forward to working with you again in the near future.

Sincerely,

(Your Name)
(Business Name)
**Version 3**  
**Closing the Business Permanently**

Dear Mr./Mrs./Ms. Customer/Supplier:

Please be advised that effective (MONTH/DATE), (YEAR), I have been ordered to active duty in the U.S. Army.

I have weighed all my options carefully. It was one of the toughest decisions I have ever had to make, but I decided to close my business permanently before my military service begins.

The last official date my business will be open is (DATE). By that time, I hope to have all business matters resolved between us. In the event this is not possible, my lawyer (NAME) at (PHONE NUMBER/ADDRESS) will contact you to finalize all arrangements.

It has truly been a pleasure working with you these past (NUMBER) years. Thank you again for your support and business.

Sincerely,

(Your Name)  
(Business Name)

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**Version 4**  
**Selling the Business**

Dear Mr./Mrs./Ms. Customer/Supplier:

Please be advised that effective (MONTH/DATE), (YEAR), I have been ordered to active duty in the U.S. Army.

I have weighed all my options carefully. It was one of the toughest decisions I have ever had to make, but I decided to sell my business. (NEW OWNER) will be taking over as of (DATE) at (THE SAME ADDRESS or NEW ADDRESS). I'm confident that (NEW OWNER) will provide you with the level of quality service that you received from me.

It has truly been a pleasure working with you these past (NUMBER) years. Thank you again for all your support and business.

Sincerely,

(Your Name)  
(Business Name)
APPENDIX 4
RESOURCES FOR DEPLOYING BUSINESS OWNERS

Arkansas Small Business and Technology Development Center Network
The ASBTDC is a university-based economic development program that provides assistance to small businesses across Arkansas through a statewide network of seven offices. As the state’s premier business assistance program the ASBTDC is dedicated to helping small businesses achieve success and to promoting economic development throughout the state.

The ASBTDC can assist mobilizing business owners through:
- Training seminars and workshops
- Information and research assistance
- Individual consulting services

Following is a listing of ASBTDC office locations:

Lead Center
LITTLE ROCK
University of Arkansas at Little Rock
College of Business
Donald W. Reynolds Center for Business and Economic Development
501.683.7700

Regional Offices
ARKADELPHIA
Henderson State University
School of Business
870.230.5184

FAYETTEVILLE
University of Arkansas, Fayetteville
Sam M. Walton College of Business
479.575.5148

FORT SMITH
University of Arkansas – Fort Smith
College of Business
479.788.7758

JONESBORO
Arkansas State University
College of Business
870.972.3517

MAGNOLIA
Southern Arkansas University
College of Business
870.235.5033

McGEHEE
University of Arkansas at Monticello
College of Technology – McGehee
870.222.4900
Visit the ASBTDC Web site for training schedules and to access more business information at http://www.asbtdc.ualr.edu.

**U.S. Small Business Administration**
- U.S. Small Business Administration
  http://www.sba.gov/
- SCORE (Service Corp of Retired Executives)
  http://www.score.org/
- Veteran’s Business Development
  http://www.sba.gov/reservists/index.html
- Women Business Owner Assistance
  http://www.sba.gov/women
- Military Reservist Economic Injury Direct Loan Program
  http://www.sba.gov/services/disasterassistance/businessesofallsizes/militaryreservistsloans/index.html
APPENDIX 5
SAMPLE MOBILIZATION PLANS

SAMPLE PLAN 1: Non-Service Example
Continuation

Roma, an Italian restaurant in Batesville, Arkansas

Strategic Plan
Including customer analysis, manpower planning, management reporting, personal planning

Mission Statement
To provide the Independence County community with high-quality Italian cuisine in a family-friendly atmosphere and allow the owners to achieve personal and financial independence.

Definition of Business
Roma is a mid-priced restaurant serving lunch and dinner daily to young families and single adults in the Batesville area (secondary target: greater Independence County community).

Goals
To offer a variety of mid-priced dishes representing the bounty of Italian cuisine; to cultivate loyal customers from local residents most in need of a mid-priced, convenient family-friendly restaurant; to provide personal and financial independence for the owners; and to earn a fair rate of return for the investors of the restaurant.

Objective 1: Incorporate dishes into the menu representing the diversity of Italian cuisine.

Strategy
- Main menu of 10-15 standard items.
- 3-5 seasonal items.
- 2-3 budget items introduced daily.

Objective 2: Moderately priced foods.

Strategy
- Standard items will be priced 10 percent less than competing local restaurants, but will offer 10 percent more food on plate.
- Seasonal offerings will be priced at a premium (30 percent gross margin).
- Budget items will be priced at a very competitive ratio (15 percent gross margin).

Objective 3: Personal and financial independence.

Strategy
- Minimum salary of $35,000 for each owner.
- Business and personal savings to total a minimum of $50,000 for each owner.
• Owner salary paid (to family or designated agent) even if he/she called to active duty.

**Objective 4:** Fair rate of return for investors and owners.

**Strategy**
- Market share of 12 percent.
- Annual sales growth of 20 percent.
- Annual return on assets of 15 percent.
- Monthly cash flow reaching $55,000.
- Monthly customer volume of 2,500.
- Average sale per person of $25.
- Ratio of food cost-to-sales = \(.2\).

**Objective 5:** Exploit the convenience that dual-career families with children and single adults crave.

**Strategy**
- Promote daily 5:00-6:30 P.M. “early bird” specials to fill restaurant in the slow pre-dinner periods (target single adults who often do not want to bother with cooking for only one).
- Weekend brunches from 10:00 A.M.-2:00 P.M. to maximize appeal to families with children.

**Customer Analysis**
- Identify best-paying (cash) and most-profitable customer segment. Determine who they are, how often they eat at Roma, and what actions would ensure their continued business.
- Personally introduce key customers to restaurant manager who will assume customer service responsibilities in your absence.
- Set aside a minimum of five hours per week to personally develop new business.
- Once mobilized, notify customers via personalized letter.

**Manpower Planning**
- Upon mobilization, management team will consist of the bookkeeper, the restaurant manager, and the accountant.
  - The bookkeeper is responsible for daily financial matters and management reporting.
  - The restaurant manager is responsible for operational issues involving in priority order: customer service, menu changes, personnel decisions, and vendor activities.
  - In addition to analyzing management reports and making recommendations, the accountant is the final authority and responsible for critical functions.
- Business continuation training is expected to take 240 hours as follows:
  - Bookkeeper, 95 hours
  - Restaurant manager, 105 hours
  - Accountant, 40 hours
- Training will commence May 1 and be completed by November 30.
• The temporary management team will meet every Friday at 9:00 A.M. to review the current week and plan the next.
• Accountant will communicate with the mobilized National Guard service member on an as-needed basis.

Management Reporting
• During mobilization, financial statements will be prepared monthly (rather than quarterly as they are now) by the bookkeeper and reviewed by the accountant. The following reports will be prepared daily and weekly by the bookkeeper:
  - Cash flow
  - Profitability by day, week, and shift
  - Customer total
  - Expense summary
  - Sales-to-employee ratio
• The following reports will be prepared weekly by the restaurant manager:
  - Employee productivity
  - Average sale-per-customer
  - Ratio of food cost to sales
• Reports along with recommendations will be discussed at the Friday management team meeting.
• The bookkeeper will prepare the following notification letters:
  - Insurance and professional liability carriers
  - Banker, investment broker, retirement plan manager, real estate broker, lessors
  - Creditors
  - Major health insurance carriers
  - State licensing boards (if appropriate)
  - Professional associations and societies

Personal Planning
• Meet with accountant by May 1 each year to update the value of the business. Discuss business continuation or sale options.
• Meet with accountant and financial adviser by May 30 each year to discuss personal tax status, method to ensure payroll and federal/state tax deposits are met during mobilization, and allocation of cash to family in Guard member’s absence.
• Meet with attorney by June 30 each year to discuss will and possible trust, ownership transfer in event of death, life insurance policies with potential proceeds, and asset distribution plan.
• Schedule rehearsal during annual Sept. 1-15 training and weekend exercises.
SAMPLE PLAN 2: Service Example
Sell or Close

Family Health Care, a group practice in Searcy, Arkansas

Strategic Plan
Including detailed close and sell strategies, and the option for business continuation.

Mission Statement
To provide the Searcy community with modern medical care in a family-oriented, multi-lingual environment that allows all five partners to achieve personal and financial independence.

Definition of Business
FAMILY HEALTH CARE is a group practice of five physicians in family medicine who serve Searcy residents six days a week (secondary market is McRae and southern White County).

Goals
To offer modern preventive health care and treatment for entire families, especially in pediatric medicine; to cultivate a loyal client base with a multi-lingual and multi-cultural staff; to provide personal and financial independence for partners; to produce a fair rate of return.

Objective 1: To offer modern preventive health care and treatment to entire families, especially in pediatric medicine.

Strategy
- Equip practice with the most advanced machinery and tools that will successfully detect and treat common medical problems; e.g., CATSCAN.
- Subscribe to key industry journals and make them required reading for all staff.
- Require all staff to allot 25 hours a year for professional meetings/workshops/seminar engagements to maintain professional knowledge.
- Identify and network with specialists to whom you can refer your clients when you cannot fully diagnose/treat a medical condition; e.g., neurologists, cardiologists, ophthalmologists.

Objective 2: To cultivate a loyal client base with a multi-lingual and multi-cultural staff.

Strategy
- Hire qualified support staff (nurses, physicians' assistants, receptionist) who can also offer bilingual skills such as Chinese, Korean, and Spanish -- essential languages to know in Searcy.
- Require that all staff attend sensitivity sessions, particularly those related to medical care, to minimize cultural misunderstandings and optimize client satisfaction.
- Organize staffing so that all languages are represented each day practice is open.
Objective 3: To provide personal and financial independence for all five physicians.

Strategy
- Salary of $65,000 for each partner.
- Business savings to be a minimum of $250,000. In the event of active duty, Army National Guard Service Member gets paid 70 percent of annual salary.

Objective 4: To produce an above average rate of return.

Strategy
- Annual revenue growth of 15 percent.
- Annual return on assets of 20 percent.
- Monthly cash flow reaching $100,000.
- Monthly patient volume of 1,680.
- Average revenue per visit of $50.
- Ratio of labor cost to revenue = .5.

Objective 5: Sell or close within 6 months of mobilization notification. Another option is to continue the practice. These decisions are made based upon conditions previously agreed upon with the other partners.

Conditions
Two of the five partners are Arkansas National Guardsmen. In the event of mobilization, the practice may be sold, closed, or continued. If the choice is made to sell the practice, it will be offered for sale for 90 days. If no purchase offer exists at the 91st day, the three remaining partners can “buy out” the other partners at the previously agreed price. If a deal is not confirmed by the 181st day, the practice will be closed. If the practice remains open, the Arkansas National Guard partners will plan to return after their release from active duty.

Sell Strategy
- Update and discuss list of prospective buyers semiannually.
- Request that financial advisers value the business by April 30 of each year.
- Review sales plan with broker by June 30 of each year.
- Have attorney pursue all interested prospective buyers. Sales price must be a minimum of one and one-half times the current value, including 25 percent down, unless mobilization occurs. Sale must be approved by three of the five partners.

Close Strategy
- Begin to implement the “close plan” if sale is not completed by the 181st day from mobilization notification.
- Bookkeeper to terminate service with suppliers, utilities, postal service, and insurance.
- Office manager to coordinate notification of customers and initiate record transfer process.
- Bookkeeper to provide weekly status of patient collections and balances owed. Accounts in arrears 120 days will be placed with an attorney.
• Office manager to provide weekly status of employee manpower requirements.
• Partners to address, via a meeting, the following with employees: salary continuation, benefits, reference, and outplacement.
• Accountant to implement asset distribution plan at partners’ direction.
• Coordinate with personnel at referring business.
• Contact the American Medical Association regarding membership status.
About the Author

This publication was compiled by Herb Lawrence, Center Director of the Arkansas State University Small Business and Technology Development Center.

Major (retired) Herb Lawrence began his military career in 1976, receiving his commission through the University of Central Arkansas ROTC program. He spent seven years active duty in the U.S. Army Signal Corp, attending both Signal Officer Basic Course and Signal Officer Advanced Course at Fort Gordon, Georgia. Lawrence spent three years in the Federal Republic of Germany serving with the 41st Field Artillery Group both as a signal platoon leader in the 41st FA Group and later as a Battalion Signal Officer for the 2nd Bn 5th Field Artillery (Hamilton’s Finest). Later he was assigned to the 5th Infantry Division (Mechanized) at Fort Polk, Louisiana, in the 5th Signal Battalion where he served as the Battalion S-4 and as a Company Commander.

Lawrence left the active service in 1983 to attend graduate school at UCA and joined the Arkansas Army National Guard in 1986 after a three-year break in service. During the 13 years with the ARNG, Lawrence served as Battalion Signal Officer and Battalion Executive Officer in the 5th Battalion 206 Field Artillery (ARNG) before being attached to the 39th Infantry Brigade (SEP) as Brigade Fire Support Officer. During this time Lawrence attended the U.S. Army Field Artillery Advanced Course at Fort Sill, Oklahoma to be Field Artillery branch qualified. Retiring in May 2000, Major Lawrence ended his military career after serving his last three years as 39th Infantry Brigade Signal Officer.

The ASU SBTDC has been under the direction of Lawrence since November of 1996. He obtained a MBA from the University of Central Arkansas in 1984, taught business management classes as assistant professor at Lyon College (then Arkansas College) in Batesville, and served in the administration of University of Arkansas Community College in Batesville. Lawrence was awarded the 2000 Resource Partner of the Year Award given by the U.S. Small Business Administration, the State Star for Arkansas by the Association of Small Business Development Centers in 2002, and became a Certified Business Advisor® in 2007.

Major Lawrence’s wife, Susan Lawrence, is a career Army wife and knows full well the challenges facing soldiers and the families they must leave behind. Lawrence has two adult children, daughter Christen Mitchell of Little Rock and a son, 1st Lieutenant Tim Lawrence who served in Iraq as an Infantry Platoon Leader with the 1st Battalion 28th Infantry (Black Lions) in the 4th Infantry Brigade, 1st Infantry Division (Big Red One). The Lawrences also have a granddaughter, 4-year-old Allison Mitchell.
The Arkansas Small Business and Technology Development Center is funded in part through a cooperative agreement with the U.S. Small Business Administration through a partnership with the University of Arkansas at Little Rock College of Business and other institutions of higher education. All opinions, conclusions, or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. UALR is committed to the policy of providing equal opportunity for all persons and does not discriminate in employment, admissions, programs, or any other educational functions and services on the basis of sex, age, disability, race, and national origin, color or religion.