

# Small Business

## Advocates of female owners chide SBA

Long-awaited agency rule on contracting criticized

By Cyndia Zwahlen  
TRIBUNE NEWSPAPERS

Frustration with the Small Business Administration has turned to outrage among backers of a long-delayed program that would funnel more federal contracts to small companies owned by women.

Seven years ago, Congress ordered the SBA to draft guidelines so federal agencies could meet the goal of awarding 5 percent of federal small-business contracts to female owners, an objective set by law in 1994. In December, the SBA proposed a rule to implement the program and was criticized by those who said the guideline would be too restrictive.

The new rule would cover just four industries in which the SBA says female-owned small firms don't get their fair share of federal contract dollars: national security and international affairs; coating, engraving, heat treating and allied activities; furniture and kitchen cabinet manufacturing; and motor vehicle dealers.

The guideline also would limit eligibility to small businesses owned or controlled by economically disadvantaged women. Contracts awarded under the program would be limited to \$5 million or less for manufacturing jobs and \$3 million or less for other jobs.

Also, each agency would have to conduct an analysis of its procurement history to see if there was sufficient evidence of discrimination in that industry by the agency before it could reserve a contract exclusively for female-owned small firms.

"I am outraged at the blatant disregard for the law as Congress intended it," said Margot Dorfman, chief executive of the U.S. Women's Chamber of Commerce in Washington. "The whole goal of this program is to expand opportunities for women-owned firms. This does nothing to expand the opportunities."

Ceil McCloy, a California small-business owner and federal contractor, agreed.

"I think it's just outrageous," the co-owner of Integrated Science Solutions Inc. in Walnut Creek said of the limited industries to be covered. "I mean, really, furniture manufacturing? Where is most of that done? It's all offshore, of course."

The proposed rule, which is open for public comment for 60 days after its Dec. 27 publication in the Federal Register, is the third by the SBA meant to implement a law passed in December 2000. The law, the Equity in Contracting for Women Act, was created to improve the track record of the federal government, the largest purchasing organization in the world, when it came to awarding a fair share of its roughly \$410 billion in annual procurement spending to female-owned businesses.

Congress set a goal of 5 percent in 1994, but the government has never met that minimum. Female-owned small firms get about 3.4 percent of federal small-business contracting dollars. The gap costs them about \$5 billion a year, according to the House Small Business Committee.

In making its announcement last month, the SBA acknowledged the "limited scope" of the rule. But the agency defended the time it has taken to issue the rule and the measure it chose to determine that female small-business owners were underrepresented in just four formal categories.

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Howard Tullman runs Flashpoint Academy of the Media Arts and Sciences, a post-secondary vocational school in Chicago focusing on digital arts. Tribune photo by Bonnie Traflet

## For-profit schools a lesson in business

Howard Tullman making money while providing educational opportunities

By Ann Meyer  
SPECIAL TO THE TRIBUNE

Serial entrepreneur Howard Tullman believes education can be run like a business: profitably.

Tullman opted for for-profit business models at both the new Flashpoint Academy of the Media Arts and Sciences vocational school and Experiencia science and business education center for grade school students. Both ventures stress hands-on learning and are dedicated to reaching underserved students while also making money.

Operating as a for-profit is critical to building the businesses the right way, said Tullman, who opened the 75,000-square-foot Flashpoint in September at 28 N. Clark St. in Chicago, complete with stages, editing suites and mixing rooms, plus state-of-the-art camera and computer equipment.

"The non-profit mentality is sort of 'good enough is good enough,'" Tullman said. "It's not an attractive strategy for investors and for really growing these businesses."

Whether to structure a business as a for-profit or non-profit is becoming a common dilemma among so-called social entrepreneurs, or those launching ventures with missions of doing good for society, experts said.

"The line between for-profits and not-for-profits gets more and more fuzzy every year," said Thomas Morsch, clinical professor of law at Northwestern University.

"My advice is to start your for-profit business up, make a lot of money and then be socially responsible" by giving back to the community, said Morsch, who is also director of the Small Business Opportunity Center at Northwestern.

Although schools traditionally have operated as non-profits, the growth of for-profit companies such as the University of Phoenix and Laureate Education Inc. is spurring more interest in profitable educational ventures.

"There's no reason, in principle, why you can't set up a for-profit school," said Eric Posner, professor of law at the University of Chicago. "This is a mix of legal and business judgments."

The decision also depends on whether the venture intends to get start-up funds from individuals interested in donating to charities or business investors looking for a return on their dollars.

While for-profits can't offer tax breaks to donors and must pay real estate taxes, they can offer teacher bonuses and merit pay, often not permitted at a non-profit, Posner said. Funds from businesses can take the form of sponsorships.

"There are good marketing and advertising reasons for business to give money to universities," he said.

Tullman raised \$16 million from Chicago investors in 60 days last spring to begin construction on Flashpoint in time for its opening in the fall with 105 students.

"Part of this grew out of people who wanted to give back and support education but were completely frustrated" with funding non-profits that offered no accountability, Tullman said.

Still, Flashpoint and Experiencia have sister foundations, allowing for charitable donations to be used for scholarship funds, Tullman said. So far, Flashpoint has given \$1 million in scholarships.

### Partnering with businesses

The 50,000-square-foot Experiencia, at 770 N. Halsted St. in Chicago, includes Exchange City, a simulated city where middle-school students work as bankers, merchants and entrepreneurs, and Earth-Works, where early elementary pupils learn about science careers.

Tullman, chairman and chief executive of Experiencia, has solicited such corporations as LaSalle Bank and Eli's Cheesecake as sponsors since taking over the non-profit in 2005. Previously, he said, "it lived from grant to grant and day to day. We developed the city here as a partnership with business and turned it into a business."

Tullman attracted about \$5 million in investment dollars, including about \$2 million to revamp the Chicago facility into a flagship school. Experiencia also operates facilities at 10 other locations throughout the U.S.

"Businesses and foundations enjoy the opportunity to help sponsor schools," said Elaine Mondschein, president of Experiencia. At Experiencia, "they can see the children learning and are proud to be able to allocate their resources to some-

### One busy guy

Here is a look at the variety of positions keeping Howard Tullman on the go:

- President and chief executive, Flashpoint Academy
- Chairman and chief executive, Experiencia
- President emeritus, Kendall College
- General managing partner, Chicago High Tech Investors
- Board of directors, Cobalt Group and Passage Events
- Trustee, WTTW
- Adjunct professor, Northwestern's Kellogg School of Management

thing this powerful," she said.

It's not the first time Tullman has ventured into education. The former litigator who ran CCC Information, RollingStone.com, Tunes.com, Worldwide Xceed Group and Imagination Pilots, among others, became president of then-ailing Kendall College in 2002 and refocused it as a culinary school, shedding its sports teams and some academic programs, he said.

He sold its Evanston campus and moved the college to the former Sara Lee research and development lab at Goose Island, raising \$60 million for the renovation and move. Complete with state-of-the-art culinary equipment, the new facility and new focus helped to boost enrollment, student retention and revenue.

After arranging for the pending sale of the school to for-profit Laureate Education, which had already made an investment, Tullman was ready to move on.

Despite turning around the school, Tullman said he was personally frustrated by the low salaries greeting graduates in the culinary and hospitality fields.

Meanwhile, he saw a growing need in the marketplace for people trained in game development, film, computer animation and recording arts. He became president and chief executive of Flashpoint in March.

Still, the digital-arts industry isn't without bumps. When Flashpoint opened this fall, Electronic Arts Inc., a \$3 billion company based in Redwood City, Calif., oper-

ated a Chicago studio employing 145 workers, up from 49 two years earlier. But the company announced in November that it would be closing the facility.

"That studio wasn't forecasting a profit until 2010, and we felt that the resources were better committed to another project," spokesman Jeff Brown said in an e-mail.

### 2-year vs. 4-year degree

Although Electronic Arts' closing is a setback, Tullman believes Flashpoint grads will fare well in the job market, even without a four-year degree.

Not everyone agrees that a two-year certificate is as beneficial.

"I have some issue with kids going right in and thinking they're going to make a killing as a gamer programmer, editor or animator. Basically, most are going to be cubicle assembly-line workers," said John Yaworsky, who teaches digital cinema at DePaul University and is a producer at Two + One in Wilmette.

Yaworsky sees value in a well-rounded four-year degree and questions whether Flashpoint can work in enough academics while teaching hands-on vocational skills.

"Is [Tullman] being philanthropic or totally profit motivated?" he asked.

Tullman said Flashpoint is aiming at high school graduates who aren't ready for a four-year university or have tried college unsuccessfully and are back at their parents' homes playing video games in the basement.

Although Flashpoint's admission policy isn't stringent, Tullman said it won't take just anyone. For starters, the application fee is \$250, compared with \$50 for many universities. Tuition is \$25,000 a year.

Tullman said he is training his students for jobs involving higher-level thinking and collaboration. Demand for people with cross-training in multiple digital-arts skills is great, he said.

"Every corporation has a Web site as its front door and needs video and music," he said.

But Tullman also is in talks with area universities to allow Flashpoint students to complete the last two years of a four-year degree in business or a related field. The main goal is an educated workforce.

"We treat education as the most important business there is, because it's our future," Tullman said.

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### SMALL TALK

By Joyce Rosenberg  
ASSOCIATED PRESS

NEW YORK—Almost every accountant has a story about a small-business client who showed up on April 10 or thereabouts, expecting to start work on a company or personal income tax return. Or, worse, a client who showed up with a shoe box full of receipts and invoices, expecting to get a return done in short order.

There is no reason why business owners should have to be in that position—as long as they start getting their tax affairs in order now.

When a business owner's income tax season is perennially chaotic, chances are his or her books and

overall company operations are as well. These owners often don't have a good sense of their cash flow, accounts receivables and profit or losses.

Mark Toolan, a certified public accountant in Exton, Pa., said the solution is easy: Buy accounting software and start inputting all your financial information, using bank statements or your check register. Look at your credit card statements and any receipts you have, too. You can still get this done for 2007, and you should be starting to do this now for 2008.

There's more at stake than just having an easier time during tax season. "When we hear people say they're disorganized ... it often

means they're paying more taxes than they should," Toolan said.

If the problem is that you haven't the time or the wherewithal to keep your finances straight, then you need to get help—something that many entrepreneurs, used to doing it all themselves, find hard to accept. But, what you spend on a part-time bookkeeper or on contracting with a bookkeeping service will probably save you money in the long run.

Moreover, it will eliminate some of the stress in your life—and not just your work life.

"Deal with it now, or you're going to have the aggravation" indefinitely, said Jeffrey Chazen, a tax partner at the accounting firm Eisner LLP in New York. He warned, "It

leads to other pressures, not just financial"—in other words, your family life can suffer when your company is having problems.

Accountants say that many times, small-business owners put off organizing their tax papers because they're afraid they won't have the money to pay taxes. But, Chazen noted, "it's always better to know in advance"—and if you get yourself organized now, you can start setting money aside to pay that bill.

Of course, the benefits of being organized will last well beyond April 15. Having a good accounting system allows companies to get a better handle on cash flow. Chazen pointed out that one reason many owners are suddenly strapped for money to

pay the government is because they spent willy-nilly during the holiday season and didn't know whether there would be more money available for Uncle Sam.

But let's say you don't heed the advice, and there you are in early April, ledgers or shoe box in hand. Be prepared to hear your accountant say that he or she won't be compiling your return, but will instead be filing for an extension of the filing deadline.

"You can't do it that quickly without making any mistakes," Chazen said, warning also that presenting a tax preparer with a chaotic set of records is going to be more expensive: "When someone else is cleaning up your mess, it costs more."