



FUNDING OPTIONS

For Starting or Growing Your Business

THE PIKES PEAK SMALL BUSINESS DEVELOPMENT CENTER HAS BEEN DEDICATED TO HELPING EXISTING AND NEW BUSINESSES GROW AND PROSPER FOR MORE THAN 30 YEARS.



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Robin Roberts, CRC

**President and CEO,
Pikes Peak National Bank**

Consulting Expertise Includes:

- Small Business Lending
- Funding Options
- Business Plan Financials
- Financial Projection Development
- Single and Multi-Family Investor Loans
- Commercial Banking & Lending

[View Consultant Bio or Schedule Consulting](#)

FINANCING YOUR BUSINESS

{ Presenter: Robin Roberts, CRC
President and CEO
Pikes Peak National Bank

- ⌘ When you're starting a business, it's important to make sure you don't take on business funding at the expense of funding your personal life.
- ⌘ When you have been in business for awhile, it's important not to take on funding in your personal life at the expense of funding your business.

Advice from a banker

- ⌘ Owner Investment
- ⌘ “Friends, Family, and Fools”
- ⌘ Bank/Alternative Financing
 - ⌘ Conventional loans
 - ⌘ SBA financing
 - ⌘ Microlenders
 - ⌘ Factoring
 - ⌘ Lines of Credit
- ⌘ Investors/Venture Capital
- ⌘ Crowdfunding

Funding Sources

- ⌘ Small businesses usually deal with established products and services. Entrepreneurial Ventures are for new innovative offerings.
- ⌘ Small businesses aim for limited growth and continued profitability and Entrepreneurial Ventures target rapid growth and high productivity returns.
- ⌘ Small Businesses deal with known risks; Entrepreneurial Ventures take a deep dive with lots of unknown risks.
- ⌘ Entrepreneurial Ventures usually impact economies and communities in a significant manner, which also results in a cascading effect on other sectors like job creation. Small businesses are more limited in this perspective and remain confined to their own domain and group.

Entrepreneur or Small Business Owner?

From Investopedia

- ⌘ Business entity will be the Borrowing Entity for most business loans. Owners with more than 20% interest will be required to personally guarantee a loan with a bank.
- ⌘ Governing Documents:
 - ⌘ C Corporation/S Corporation – By Laws
 - ⌘ LLC – Operating Agreement
 - ⌘ Partnership – Partnership Agreement

Legal Entity Formation

- ⌘ Cash (savings)
- ⌘ Retirement Accounts
- ⌘ Home equity financing
- ⌘ Credit Cards
- ⌘ Personal loans against personal assets
- ⌘ Liquidation of assets

Owner Investment



- Structure of investment?

- Ownership in company?

- Repayment terms?

It's more common than you think.....



Bank Financing

& Character

& Capacity

& Capital

& Collateral

& Conditions

5 Cs of Credit

&Death

&Divorce

&Drugs

&Disagreements

&Disabilities

The five D's of Credit

{ Commercial

- & Does not report to credit bureau
- & Shorter amortization, not fixed rate
- & Financial reporting every year

{ Consumer

- & Reports to credit bureau
- & Fixed rate, long amortization
- & Qualify once, no financial reporting

Commercial vs. Consumer

- ⌘ Generally requires a personal guarantee
- ⌘ May have pre-payment penalties
- ⌘ Often have covenants that can define an event of default, even if payments are made per the contract

More on Commercial Loans

- ⌘ Loans made to small businesses through banks and/or Certified Development Companies.
- ⌘ Small Business Administration (SBA) provides a partial or full guaranty for the loan, allowing banks to make concessions on one or more of the 5 Cs of credit.
- ⌘ Provide 2 main loan programs: the 7a and the 504 loan.

SBA Loans

{

7a

- ⌘ Shorter term but fixed rate
- ⌘ For the purchase of equipment, business expansion, purchase of a business

{

504

- ⌘ For the purchase of commercial real estate or long-term equipment
- ⌘ Set up in two loans, a 1st mortgage and an SBA loan in 2nd.

7a or a 504?

- ⌘ Require a personal guaranty by all signers.
- ⌘ Are not for rental or investment properties.
- ⌘ Often have pre-payment penalties.
- ⌘ Require lower down payments than conventional loans.
- ⌘ Often have programs for veterans.
- ⌘ Provide longer-term, fixed rate loan options
- ⌘ Still rely on cash flow as the source of repayment.

Notes about SBA Loans

- ⌘ Business sells its accounts receivable for a discount to a lender (factor). The lender then collects the invoice.
- ⌘ Ideal for businesses that generate commercial invoices and can benefit from reducing the time that invoices are outstanding.
- ⌘ The creditworthiness of your customers can be more important than your creditworthiness in these transactions.
- ⌘ Local banking options: Herring Bank
- ⌘ Local non-banking options: TCI Business Capital

Factoring

- ⌘ Useful to provide capital on the down side of the business cycle; are paid down on the up side of the business cycle
- ⌘ Seasonal benefits and those who work on contract can benefit from a line of credit
- ⌘ Commercial lines are renewed annually and are expected to revolve in accordance with your business cycle
- ⌘ Can be floating or fixed rate, often require collateral.
- ⌘ Interest payments are made monthly on principal drawn. Principal payments are made in accordance with the business cycle.

Lines of Credit

ACCION



Not regulated like banks

Generally are non-profits

{ Lend to borrowers already
turned down by a
financial institution

Loans from \$500 -
\$500,000

Micro-lending

- ⌘ Loan Program by CEF created to support Military Veterans and Gold Star Families
- ⌘ Provides discounted loan rates and extended terms for military veterans who are unable to secure financing through traditional banks
- ⌘ Loan amounts up to \$500,00 for working capital, inventory, property improvements, business purchases and commercial real estate
- ⌘ Loan rate is discounted 2% from standard CEF rates. Loan terms up to ten years and interest-only periods of up to six months. Origination is 1.5%
- ⌘ <https://www.coloradoenterprisefund.org/loans/valor-loan-program/>

Veteran Access Loan Opportunity Resource (VALOR) – Colorado Enterprise Fund

- ⌘ Loans up to \$100,000 receive 2% interest rate discount for veterans or active duty servicemembers.
- ⌘ Option of 6 months interest-only payments if financial seminar/workshop is completed.

Accion Veteran's Loan

- ⌘ \$50,000 - \$250,000 ten year term loan with adjustable interest rates
- ⌘ Purchase money equipment, debt refinance, tenant improvements, working capital, inventory, business acquisition, commercial real estate
- ⌘ SBA guaranteed loan
- ⌘ Preferences given to applicants that are underserved (start-up business, veteran-owned, minority-owned, woman-owned, etc.)

Colorado Lending Source Community Advantage Lending Program

⌘ Colorado Enterprise Fund

www.coloradoenterprisefund.org

⌘ Accion – Ryan Flanders, Loan Officer
720.930.1826 (cell)

⌘ Colorado Lending Source – Danni
Westblade, Senior Loan Officer,
303.260.5109

Contact info

- ⌘ Generally used in high-growth companies with little tangible assets and with products/services in the R/D stage
- ⌘ Investor will generally take a percentage of ownership in the company in return for cash infusion.
- ⌘ Can be a positive – some investors may have connections that are invaluable to the growth of the company.
- ⌘ Many investors are looking for an exit at some pre-defined point in time.
- ⌘ Local resources:
 - ⌘ High Altitude Investors: www.highaltitudeinvestors.com
 - ⌘ Rockies Venture Club:
www.rockiesventureclub.wildapricot.org
 - ⌘ Rocky Mountain Venture Capital Association:
www.rockymountainvca.com


Investors and Venture Capital



Crowdfunding

- ⌘ Business Plan needed, especially for funding
- ⌘ An outside source of income will be needed for bank financing
- ⌘ Collateral will generally be required.
- ⌘ Be prepared to invest your own money in the project.
- ⌘ For existing businesses, tax returns need to show that the business can cash flow the new debt and all existing debt.

Final Thoughts



Questions?

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