



Where's the Money?

Funding Options for Starting or Growing Your Business



Pikes Peak Small Business Development Center

FREE CONSULTING | PRACTICAL TRAINING | BUSINESS RESOURCES

www.pikespeaksbdc.org





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](#)

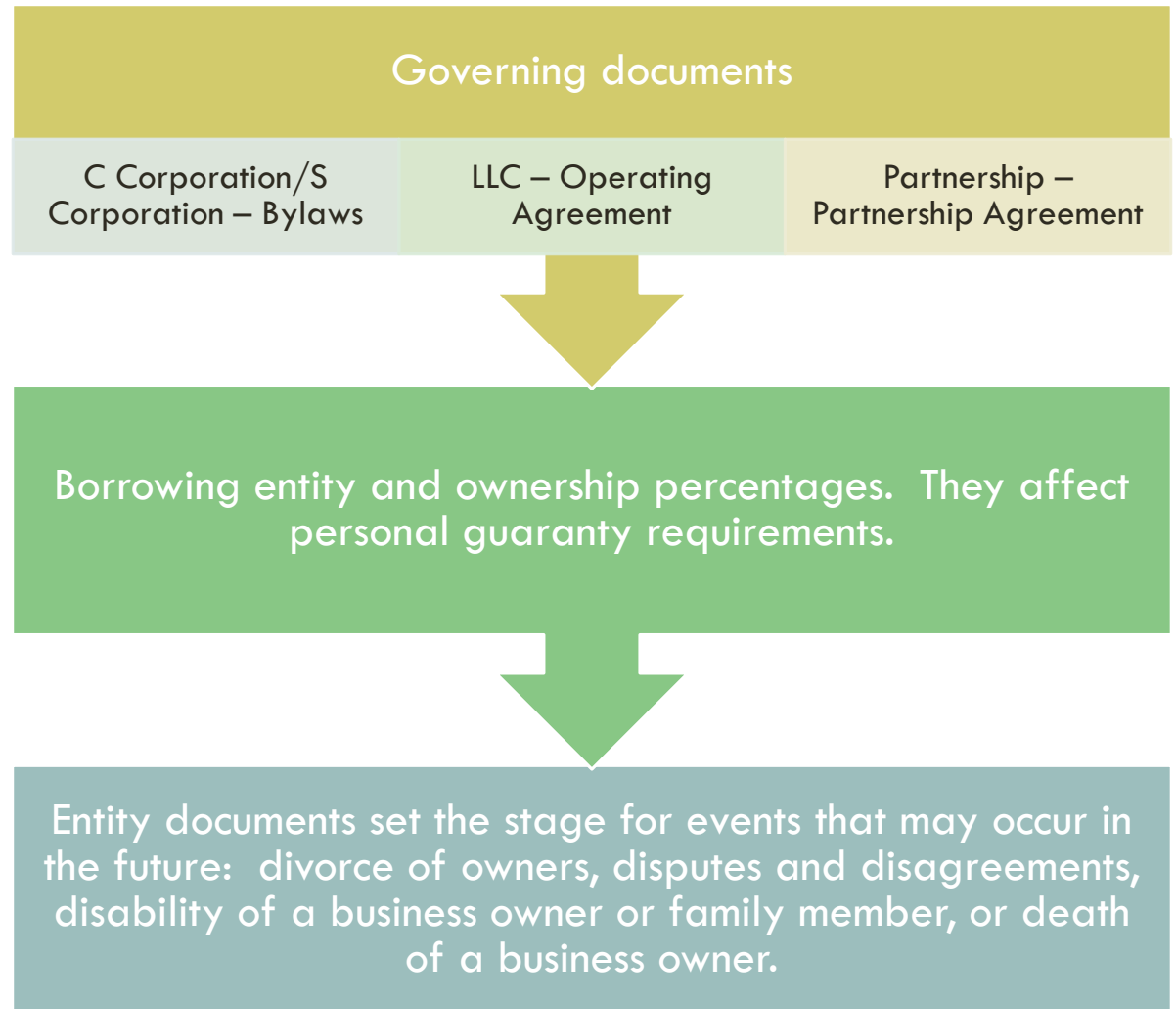
FINANCING YOUR BUSINESS

Robin Roberts, CRC
President and CEO
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FUNDING SOURCES- NEW AND EXISTING BUSINESSES

- Bootstrapping
- Owner Investment
- Friends and Family
- Bank Financing
 - Conventional Commercial Loans
 - SBA Financing
 - Lines of Credit
- Alternative Financing
 - Microlenders
 - Factoring
- Investors/Crowdfunding

LEGAL ENTITY FORMATION — WHY DOES IT MATTER FOR FUNDING?



- Bootstrapping is a common way for businesses to grow without debt. All profits of the business are reinvested into the business and are not paid out as dividends or draws to the business owner.
- Bootstrapping allows the business to purchase and own business assets unencumbered as they are not used as collateral for financing. The downside may be that the business grows slowly as cash assets must accumulate before inventory or equipment can be purchased.
- Bootstrapping is not for businesses owned by individuals who rely on the business profits to pay their living expenses, such as mortgages, car loans, utilities, etc. Owners of bootstrapped companies generally have other sources of income from which to pay their living expenses.
- As bootstrapped companies grow in revenue, they have an advantageous position when they DO need funding. Their assets are unencumbered and they don't have debt payments that restrict their cash flow.

BOOTSTRAPPING

Growing your business without
debt financing



CASH



RETIREMENT
ACCOUNTS



HOME EQUITY
FINANCING



CREDIT CARDS



PERSONAL LOANS
AGAINST
PERSONAL ASSETS



LIQUIDATION OF
ASSETS

OWNER INVESTMENT

RETIREMENT ACCOUNTS

- Rollovers for Business Start-ups (ROBS)
- Strict IRS guidelines for set-up and maintenance
- Can be combined with SBA funding or other commercial financing

- Contact:

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Guidant Financial

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STRUCTURE

OWNERSHIP IN COMPANY?

REPAYMENT TERMS

MAKE SURE ALL AGREEMENTS ARE IN WRITING

FRIENDS AND FAMILY INVESTMENT OR FUNDING

BANK FINANCING

CONVENTIONAL AND SBA



CHARACTER



CAPACITY



CAPITAL



COLLATERAL



CONDITIONS

5 “C”S OF CREDIT

5 “D”S OF CREDIT

Death

Divorce

Drugs/Alcohol Abuse

Disagreements/Disputes

Disabilities

COMMERCIAL VS. CONSUMER

Commercial

- Does not report to credit bureau
- Shorter amortization; not fixed rate
- Annual financial reporting

Consumer

- Reports to credit bureau
- Fixed rate; long amortization
- Qualify once. No continued financial reporting

MORE ON COMMERCIAL LOANS



Generally requires a personal guaranty



May have pre-payment penalties



May have covenants that define additional events of default, such as debt service ratio requirements or additional borrowing limitations

Loans made to small businesses through banks and/or Certified Development Companies (CDCs)

Small Business Administration (SBA) provides a partial or full guaranty for the loan, allowing the lender to make concessions on one or more of the 5 Cs of credit.

Provides 2 main programs: the 7a and the 504 loan

SMALL BUSINESS ADMINISTRATION (SBA) LOANS

Shorter term but fixed rate

For the purchase of equipment, business expansion, purchase of a business, tenant improvement

SBA provides partial or full guaranty to the bank

Bank approves and funds the loan

7A LOAN



For the purchase of commercial real estate or long-term equipment



Set up in two loans: a 1st mortgage by the bank and a second mortgage by a CDC for the SBA



Not for investment purposes. Borrower's business must occupy 51% or more of the property.



Can refinance a commercial property into a 504 once property is owned for 2 years.

504 LOAN

MORE ON SBA LOANS

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 commercial loans

Often have programs for veterans

Provide longer-term, fixed-rate loan options

Still rely on cash flow as the source of repayment but may be able to rely on projections

LINES OF CREDIT



Useful to provide capital on the downside of the business cycle; are paid down on the upside of the business cycle



Seasonal businesses and those who work on a contract basis 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

ALTERNATIVE FUNDING

MICROLENDERS
FACTORING

Are not regulated like banks

May be non-profits

Lend to borrowers possibly turned down by a financial institution

Loans from as small as \$500

Some have attractive veteran loan programs

MICROLENDERS



DreamSpring

Gwen Bonilla, Loan
Officer, 720.951.4532
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colorado
enterprise fund

Cory O. Arcarese, Community Lending Officer, 719.374.8303
cory@coloradoenterprisefund.org



COLORADO
LENDING SOURCE

Danni Westblade, Senior Loan Officer 303.260.5109



Business sells its accounts receivable 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: 5 Star Bank



Local non-banking options: TCI Business Capital

FACTORING

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 investment

Can be a positive – some investors 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

CROWDFUNDING

Kickstarter, Gofundme, Indiegogo are examples of crowdfunding websites.

Best used for companies with a product that needs to be pre-sold.

Investors generally provide money in return for rewards, often in the form of product.

Investors do not have ownership in the company.

Contact:

Ray Burrasca, Colorado Crowdfunding, rburrasca@coloradocrowdfunding.org

NON-PROFIT FUNDING

Colorado Nonprofit Association, www.coloradononprofits.org

Robert Hilbert Nonprofit Resource Center, Pikes Peak Library District, ppld.org/nrc,
Tammy Sayles, tsayles@ppld.org.



Business Plans



Collateral



Owner's Equity



Outside Source
of Income

**FINAL
THOUGHTS**

THANK YOU!

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