

# FUNDING OPTIONS

For Starting or Growing  
Your Business

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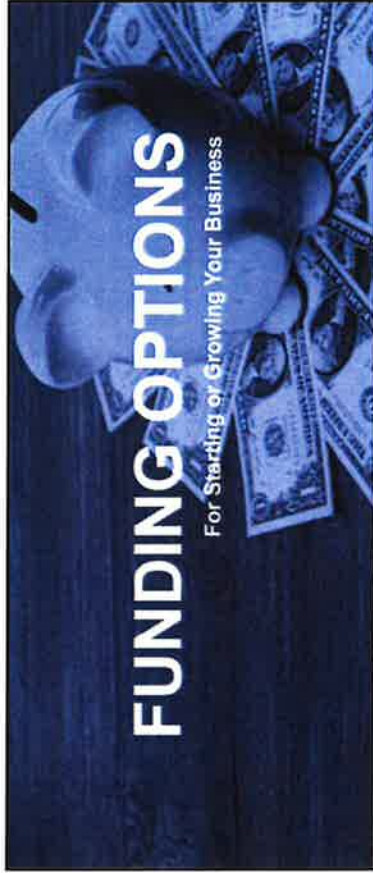
**Robin Roberts**  
CEO, Pikes Peak National Bank  
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# FUNDING OPTIONS

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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## FINANCING YOUR BUSINESS

Robin Roberts, CRC  
President and CEO  
Pikes Peak National Bank

## FUNDING SOURCES - NEW AND EXISTING BUSINESSES

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

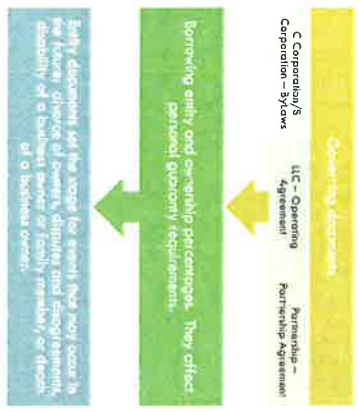
- Small businesses usually deal with established products and services. Entrepreneurial ventures are for new, innovative offerings.
- Small businesses aim for limited growth and continued profitability. Entrepreneurial ventures target rapid growth and high productivity returns.
- Small businesses deal 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 a FUNDING Perspective



## LEGAL ENTITY FORMATION – WHY DOES IT MATTER FOR FUNDING?



## 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:  
 Ralph Nilssen  
 Guidant Financial  
 425.326.4618  
 ralph@guidantfinanc.com

**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 "DS" 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
- Quality 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-to-asset ratio requirements or additional borrowing limitations

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

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

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



Set up in two loans: a 1<sup>st</sup> 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

## COLORADO HOUSING AND FINANCE AUTHORITY (CHFA) – CASH COLLATERAL PROGRAM

Provides a certificate of deposit to the lender to support the credit decision when down payment is not sufficient.

Allows the lender to originate loans that might otherwise been turned down due to lack of capital.

Priorities greater access to capital for small and mid-size businesses that are experiencing difficulty securing credit due to collateral shortfalls.



## LINES OF CREDIT

-  Lines of credit can be drawn down at the start of the business cycle and paid down at the end of the business cycle.
-  Seasonal businesses and those who wish to use a revolving line of credit can benefit from a line of credit.
-  Commitment lines are renewed annually and are expected to renew 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**

**ACCION**

Gwen Bonilla, Loan Officer, 720.951.4532  
gbonilla@accioncoloro.org

colorado **enterprise fund**

Sierfalle Fox, Community Lending Officer, 720.473.4063  
sfox@coloradolendingresource.org

**COLORADO LENDING SOURCE**

Darrell Wernblade, Senior Loan Officer 303.260.5109

Business sells its accounts receivable to a lender (factor). The lender then collects the invoice.

Used by businesses that generally cannot qualify for a simple loan because of their own operating cycle.

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**







## INVESTORS

- Generally used to help provide capital to start the business and until production in the U.S. stage
- Investor will generally take a percentage of ownership in the company in return for their investment
- Can be a positive - some investors have connections that are invaluable to the growth of the company
- Many investors looking for low risk or some pre-sold/ready to sell
- Good resources: High Altitude Partners [www.gabrielindiegogo.com](http://www.gabrielindiegogo.com)  
 Looking for a VC: [www.vc.com/resources/who-are-vc-firms](http://www.vc.com/resources/who-are-vc-firms)  
 Rocky Mountain Venture Capital Association [www.rmvca.com](http://www.rmvca.com)

## 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.

## FINAL THOUGHTS

-  Business Plans
-  Collateral
-  Owner's Equity
-  Outside Source of Income

## THANK YOU!

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