



WELCOME TO THE

MAIN STREET SMALL BUSINESS SEMINAR

FUNDING YOUR BUSINESS: START-UP & GROWTH

FEBRUARY 23, 2022 | 8AM-9:15AM

Florida Chautauqua Theatre
DeFuniak Springs, Florida

SPEAKERS & SPONSORS:



An illustration of a row of colorful buildings in shades of red, blue, orange, and pink, with white windows and doors. A dark blue street runs diagonally across the foreground, and a black lamppost stands on the sidewalk.

AGENDA

8:00AM WELCOME

Chelsea Blaich, Executive Director, Main Street DeFuniak Springs

8:10AM SOURCES OF COMMERCIAL LENDING

Patricia Parker, Vice President/Relationship Manager, BancorpSouth

8:30AM FUNDING YOUR BUSINESS: START-UP & GROWTH

Terry Mauer, Assistant Director, Florida SBDC at UWF

8:50AM Q&A



MAIN STREET SMALL BUSINESS SEMINAR



Chelsea Blaich
Executive Director
Main Street Defuniak Springs



FUNDING YOUR BUSINESS: START-UP & GROWTH



Terry Mauer
Assistant Director
Florida SBDC at UWF



Funding Your Business

Start-Up & Growth

Sources of Funding

- Banks
- Alternative Lenders
- Private Investors
- Self-Financing
- Seller Financing
- Crowdfunding

Banks

- Cash Flow (*how will you repay?*)
- Time in Business (*> 2 years*)
- Financial Performance (*Tax Returns*)
- Credit (*Business & Personal*)
- Debt Capacity (*how much debt?*)
- Your Team (*who's helping you?*)
- You (*how prepared are you?*)

Pre- Venture

- Difficult, but *not* impossible.
- Collateral
- Franchises
- History
- **Majority of start-ups are self-financed or funded through personal loan instruments (HELOC, credit card, etc.)**

Prepare for the Bank

Three Main Things to Prepare

- Use of Funds
- Business Plan
- Financial Projections

Prepare for the Bank

Determine How Much Money You Need

Uses of Funds		Sources of Funds	
Facilities Costs	\$120,000	Owner Collateral: IRA	\$ 50,000
Equipment and Vehicles	\$325,000	Owner Savings	\$ 10,000
Supplies and Advertising	\$ 49,500	Home Equity	\$ 30,000
Other Startup Costs	\$ 13,000	Total Collateral	\$ 90,000
Total Startup Costs	\$507,000	Total to be Financed	\$517,000
Working Capital Required	\$100,000		
Total Uses of Funds	\$607,000	Total Sources of Funds	\$607,000

Prepare for the Bank

Business Plan



Prepare for the Bank

Financial Projections

Income Statement

Assumptions

Revenue
Gross margin %
Cost of sales
Gross margin
Research and development
Sales and marketing
General and administrative
Operating expenses
Depreciation
Operating income
Finance costs
Income before tax
Income tax expense
Net income

20.0%
4.0%
20.0%

Year 1

Year 2

Year 3

Year 4

Year 5

40,000	75,000	100,000	200,000	300,000
55.0%	55.0%	55.0%	55.0%	55.0%
18,000	33,750	45,000	90,000	135,000
22,000	41,250	55,000	110,000	165,000
5,000	6,000	8,000	17,000	25,000
6,000	7,000	8,000	16,000	24,000
5,000	6,000	9,000	17,000	26,000
16,000	19,000	25,000	50,000	75,000
5,000	14,000	11,600	9,680	11,744
1,000	8,250	18,400	50,320	78,256
600	2,248	1,615	956	487
400	6,002	16,785	49,364	77,769
80	1,200	3,357	9,873	15,554
320	4,802	13,428	39,491	62,215

Prepare for the Bank

Other Considerations

- Detailed Breakdown of Costs (*actual quotes*)
- Minimum Required vs. Amount Requested
- Account for Operating Costs (*Projections*)
- Timeline (*how long can you wait?*)

Alternat ive Lenders

- ***Alternative Lenders:*** Non-bank companies that provide funding to consumers and small businesses.

Advantages

- Higher approval rate
- Less paperwork
- Faster processing time
- Flexibility
- More accessible (tech savvy)
- Diversity of loans
- Less stringent requirements

Disadvantages

- Higher interest rates
- Smaller loan amounts
- Shorter repayment period
- More frequent payments
- Hidden fees

Alternat ive Lenders

Examples of Alternative Lenders



Best Practice s

- Compare Rates
- Build a Relationship with Your Lender
- Be Prepared for What Happens After You Receive Funding
- Alternative Lender – Consolidation/Refinance

Funding Checklis t

- ☐ Determine your timeline.
- ☐ Determine your financial needs. Minimum amount vs desired amount.
- ☐ If appropriate, create a business plan and cash flow forecast and/or expense list.
- ☐ Revisit #2, in light of information obtained in #3.
- ☐ Meet with bankers, investors and/or alternative lenders. **Ask questions!**
- ☐ Prepare documents for loan package (financial projections, business plan, tax returns, PFS, debt schedule, etc.)



SOURCES OF COMMERCIAL LENDING

Patricia Parker

Vice President/Relationship Manager
BancorpSouth

How to Fund and Grow your Small Business



LEAST EXPENSIVE TO MOST EXPENSIVE:

- CONVENTIONAL/TRADITIONAL BANKS
- SBA LOANS
- ALTERNATIVE FUNDINGS (KABBAGE, INTERNET, PRIVATE FUNDING, ETC)

SBA Programs

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7(a)

Up to \$5 Million (Aggregate)

75% guaranty above \$150,000

85% guaranty \$150,000 or less

Term loan up to 25 years (Real Estate)

SBA Express

Can be revolving or term loan

Maximum Aggregate \$500,000

50% guarantee

SBA Programs

continued...

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- SBA Veteran's Advantage
- CapLines
- Export Express
- Export Working Capital
- 504
- International Trade

Eligibility

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FIRST HURDLE IN RETAINING THE GUARANTY

What Businesses Are Eligible?

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The Small Business Applicant must:

1. Operate for profit
2. Not be delinquent on any existing debt obligations to the U.S. government
3. Be located in the United States (includes territories and possessions);
5. Demonstrate a need for the desired credit.
Lender must certify that credit is not available elsewhere on reasonable terms.
4. Be small (as defined by SBA)

Some Ineligible Businesses

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The following businesses are not eligible:

- Non-profit businesses (for profit subsidiaries are eligible)

- Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except Eligible

- Passive Companies);

- Life insurance companies;

- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting;

- Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude;

Allowable Use of Proceeds:

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Purchase equipment, machinery, furniture, fixtures, supplies or materials

SBA - up to 100% of cost

Bank Loan - 75% - 80% of cost or appraised value, whichever is less

Purchase real estate, including land and buildings
Construct a new building or renovate an existing building

SBA - up to 90% (and 95% in some cases)

Bank Loan - up to 80%-85%

Establish a new business or assist in the acquisition, operation or expansion of an existing business

SBA - up to 90% of purchase price and Business Valuation may be required

Bank Loan - Dependent upon Collateral

Refinance existing business debt, under certain conditions

Provide long-term working capital to use to pay operational expenses, accounts payable and/or to purchase inventory

SBA - up to 90% of what is needed

Bank - up to 50% value of inventory

Provided Short-term working capital needs, including seasonal financing, contract performance, construction financing and exporting

Provide Revolving funds based on the value of existing inventory and receivables, under special conditions

Use of Proceeds-Not allowed

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To refinance existing debt where the lender is in a position to sustain a loss and SBA would take over that loss through refinancing

To affect a partial change of business ownership or a change that will not benefit the business

To permit the reimbursement of funds owed to any owner, including any equity injection or injection of capital to continue the business until the SBA-backed loan is disbursed

To repay delinquent state or federal withholding taxes or other funds that should be held in trust or escrow

For a purpose that is not considered to be a sound business purpose as determined by SBA

If you are unsure whether or not your anticipated use of funds is allowed, check with your SBA-approved lender

Size Requirements

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Must not exceed the size standard of industry type

Most Retail- Maximum of \$7 Million in gross sales averaged over the last 3 fiscal years

Wholesale-Maximum employees not to exceed 100

Manufacturing-Maximum employees not to exceed 500

AND

Business net worth not to exceed \$15 million

Average net income after Federal Income taxes (excluding any carry-over losses) for preceding 2 completed fiscal years not to exceed \$5 million

Collateral

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SBA is not a collateral lender, they are a cash flow lender, but we must take all available collateral.

Personal/Corporate Guarantees

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Unconditional personal and corporate guarantees are required from individuals and entities owning 20% or more interest in the borrower

Types of Loans

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Real estate purchase and improvements

New Construction (Owner Occupied)

Start-up Business

Business Acquisition

Machinery and equipment purchase

Working capital

Debt refinancing- under certain conditions

SBA Loan Process

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Borrower applies to qualified lender
SBA Department works with lender to determine SBA eligibility
Lender approves “subject to” SBA Guaranty
Lender submits request to SBA Department
SBA Department reviews request and provides required SBA documents for completion by borrower
SBA Department provides most closing documents to lender
Lender closes loan & services loan
Lender obtains yearly financials from borrower

What is needed to apply for SBA Loans

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Borrower Requirements



- **FEASIBLE BUSINESS PLAN**

**WHERE TO GO FOR HELP CREATING A
BUSINESS PLAN:**

**SMALL BUSINESS DEVELOPMENT CENTER OR LOCAL
COMMUNITY COLLEGE**

- **GOOD CHARACTER**
- **ABILITY TO REPAY**
- **CITIZEN OR LEGAL RESIDENT**



What to Take to Your Lender

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Business Plan

Resumes of Key Management

Business Financials (Balance Sheet, Income Statement, Cash Flows, Equity Statement)

Use of Proceeds

Cash Flow Projections

Legal Documents

Personal Financials & Tax Returns

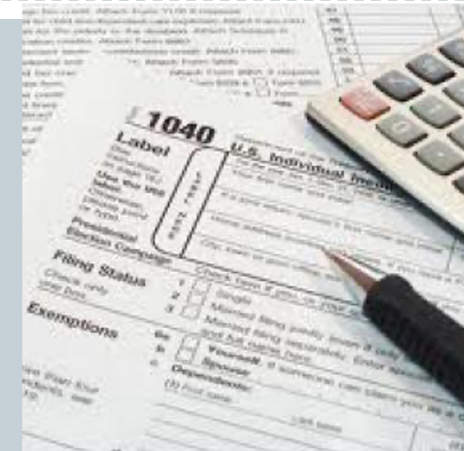
Financial Information Required

Gross wages		44,650
Income taxes and deductions	8,930	
Disposable income		35,720
Rent expense	10,800	
Food	3,900	
Car expenses	3,600	
Clothing	1,800	
Cell phone	1,200	
Internet and cable TV	1,200	
Entertainment, travel, etc.	2,700	
Total living expenses		25,200
Car loan interest	240	
Student loan interest	4,240	
Total interest expenses		4,480
Net income		6,040

1.) THREE YEARS PERSONAL TAX RETURNS & BUSINESS TAX RETURNS(IF AN EXISTING BUSINESS)

2.) SIGNED AND DATED PERSONAL FINANCIAL STATEMENT (SBA FORM 413)

3.) BANK WILL RUN A CREDIT REPORT AND ALSO VERIFY THAT YOU HAVE NOT BEEN PAST DUE ON GOVERNMENT LOANS (INCLUDING STUDENT LOANS)



Some of the SBA Forms Needed

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**SBA FORM 1919-BORROWER
INFORMATION**

**SBA FORM 4506T-TAX RETURN
VERIFICATION**

**SBA FORM 2202-BUSINESS DEBT
SCHEDULE**

Q&A

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