



# Business Development Funding: Getting the Financial Markets to Support Your Venture

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# Defining Your Situation

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## 1) Funding Needs: Key Questions

- What does your firm want/need?
- Why do you need these resources?
- For what will these funds be used?
- What are your preferred sources of funds?
- What credit terms are you seeking?
- Equity Exit or Credit Payoff?



# Defining Your Situation

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- 2) Funding to-date: What Type?
  - a) Cash
  - b) Existing Tangible Assets
  - c) Intangible Assets
  - d) In-kind
  - e) Vender contributions/contacts/  
commitments
  - f) Other



# Defining Your Future

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- 1) Business Plan and Information Memorandum(s)
- 2) Business Plan (Does one exist?)
  - a) Background and history
  - b) Markets/Competition/Environment
  - c) Competitive Opportunities & Overall Business Strategy/Model
  - d) Marketing Plan
  - e) Operational Plan
  - f) Legal Structure, especially as it relates to equity



# Defining the Future: The Numbers

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## 2. Basis of Forecasts & Budgets

- a) Do sales projections exist?
- b) Have pro forma budgets been developed?
- c) Terms, structure and forms of financing?
- d) Has seasonality been addressed?
- e) Are the forecasts and budgets connected to the assumptions of the business plan?



# Financial Markets

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## A) Commercial Banks

1. Sell money & sell services
2. Typically Risk Adverse
3. Documentation is key
  - a) FDIC & Internal auditors
  - b) Business Plan: Argument for Your Project. Allows project funding to be considered without principals having to verbally present case.



# Financial Markets

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## A) Commercial Banks

### 4. Four C's

- a) Credit worthiness
- b) Collateral
- c) Capacity
- d) Character

Business plan provides insight into Collateral, Capacity, and Character

5. Types: Community, Regional, Business, & Other



# Financial Markets

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## B) Equity markets

1. Looking for portfolio match and rate of return
  - a) security vs. risk
  - b) piece of the (sky-in-the-) pie vs. tangible
2. 3-7 year time-frame - then exit
3. Control clauses/Governance



# Financial Markets

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## B) Equity Markets

### 4. General Types

- a) FAF - Friends, Acquaintances, Family
- b) Angel
- c) Venture Capital
- d) Institutional
- e) Employees
- f) Vender/Strategic Partner/Joint venture



# Financial Markets

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## C) At-Risk Requirement

1. Don't Expect Third Party Sources of Funds to Assume All the Risk
2. Other People's Money
3. Over-valuing "Sweat Equity"
4. Excess Compensation Expectations



# Financial Markets

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## D) Government Programs

1. Small Business Administration (Federal)
  - a) Views Commercial Lender as Customer
  - b) Typically, more costly than conventional debt
  - c) Documentation - body in a cubicle makes decision
  - c) Low Doc vs. 7(a) vs. 502/504 ([sba.gov](http://sba.gov))
  
2. WHEDA (State of Wisconsin)
  - a) bit more friendly, most flexible, still requires the documentation and still views bank as client ([wheda.com](http://wheda.com))



# Financial Markets

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## E) Government Direct – Re: Politics

1. Project must look good for impact on community/region
2. Terms sometimes inconsistent with strategic interest of project
  - a) Loan amounts tied to number of jobs/payroll
3. Documentation.....See Earlier
4. If Awarded - Rates and Repayment Terms Often Better Than Market



# Traditional Sources of Start-up Funds

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- A) Personal Assets
- B) FAF
- C) Credit Cards
- D) Vender Credit
- E) Commercial Credit - Secured
  - 1. Term
  - 2. Line of Credit
- F) Customer - pre-payment
- G) Grants and Government Direct Loans (rare)



# Presenting The Funding Argument

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## A) Proposal Types

1. Business Plan
2. Loan Request (standardized)
3. Confidential Information Memorandum
4. Prospectus
5. Other



# Presenting The Funding Argument

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## B) Presenting the Numbers

1. Income Statement
2. Cashflow - from operations
3. Sources & Uses of Funds
4. Balance Sheet
5. Personal Financial Statements

## C) Tell Your Story..... Presentation