

# Gather and Grow: Banking and Access to Capital



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# Housekeeping/Reminders

## Class Session Schedule

11/4 – Banking & Access to Capital

11/11 – **Potluck!** (Sign up sheet coming soon)

**Office Hours this week:**

Thursday 1-4pm



# Housekeeping/Reminders



The  
End of Program  
Survey is coming!





# Upcoming Opportunities: Showcases





# Welcome

## Tonight's Agenda:

- When are you ready for capital?
- Pathways to Capital
  - o Options for Entrepreneurs
  - o Debt v Equity
- Lending Options (Non-Profit vs Traditional)
  - o What are banks looking for when you apply?
  - o What are non-profit lenders looking for when you apply?

## Panel Discussion and Q&A

# Our Speakers



**John Dooley**

VP – Manager of Business Dvp  
Sunrise Banks



**Stephen Obayuwana**

Senior VP & Chief Operating Officer



**Debbie Stewart**

CFO & Fractional Finance Consulting  
Finance Fueling Growth



# When are you ready for capital?

- What is your need? (Equipment, working capital, etc).
- How urgent is your need?
- Are you in a position to generate enough revenue to repay the loan?
- Are you credit-worthy?

**Advice:** Start developing a relationship with a bank long before you need the money. Talk to at least 2 banks. Bronze stage entrepreneurs– take note!



# When are you ready for capital?

Key Questions to ask yourself:

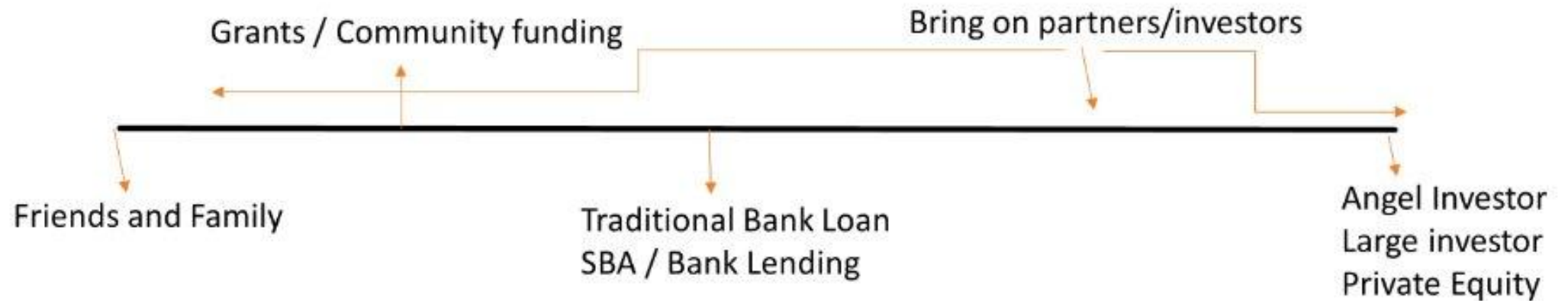
- **Am I comfortable with debt?**
  - Can I pay back debt financing?
  - Do I have assets to leverage?
  - What is my credit score?
- **Am I comfortable with dilutive capital?**
  - Do I have friends and family who want to invest? Do I want them as investors?
  - Do I know angel investors?
  - Do I have time to pursue investors?
- **Do I have time available for contests/incubators/accelerators?**





# Pathways to Capital

## Path to Funding





# Debt vs Equity

- **DEBT**

- Repayment is required to repay the money plus interest over a set period of time
- Maintain full ownership of the business
- Lender will require you to pledge an asset as security for the loan, such as property or equipment
- Can be more difficult to acquire in the early stages

- **EQUITY**

- Investors will seek return of investment upon success of the company
- Investors buy a stake of your business
- Investor may or may not provide value to the business (guidance or experience)
- Funding may be more accessible at the start-up phase
- Investors may ask for more involvement (management or a board position)

SPINNAL ENGINE  
4 GOOD

# Business Stages for Capital

The objective should always be to grow a sustainable and profitable business. Below are further suggestions for capital acquisition.



Revenue Stages	4AP Stage	Capital Access Stages – Loose Guardrails
<\$50K	Bronze	Non dilutive capital sources such as grants are the best option. CDFIs may be an option for debt.
<\$249K	Silver	Non dilutive capital options remain a great source of capital at this stage. If the business has strong cashflow, debt can be explored as well.  Equity: Friends and family rounds, crowdfunding.
\$250K - \$499K	Gold	For businesses with strong cash flow, debt financing is ideal at this stage. In the early or seed stage for high growth companies, equity financing can be considered.
\$500K - \$999K	Platinum	For early-stage or seed startups, now is the time to seek investment from angel groups or small, early-stage funds, based on your growth so far. Debt financing remains viable for profitable businesses at this stage and beyond. Explore accounts receivable (AR) financing and inventory financing options now.
\$1M - \$4.9M	Platinum	Equity: For Seed/start-up or later stage business, potentially ready for venture capital investment around \$2M in revenue.
\$5M - \$19.9M	Platinum	Equity: Later Stage – Venture Funding. May be able to exit through sale to regional player.
\$20M – \$49.9M	Platinum	Equity: At Later Stages, consider funding from major VC groups or private equity. Evaluate growth and carefully assess the impact of dilutive capital on future value expansion. May be able to exit through sale to national player.

The benchmarks for company stages is fluid and largely depends on the industry & market environment of the time.

# Entrepreneur options – trusted partners



## Bronze

**GRANTS**  
MDA  
DEED

**ACCELERATORS**  
Finnovation Institute  
Food Finance Institute  
Dough

**COMPETITIONS**  
MN Cup  
Naturally MN Pitch  
Slam

## Silver

**CDFIs**  
NEON  
MEDA  
LEDC

**ACCELERATORS**  
Techstars Farm to Fork

**COMPETITIONS**  
Expo West Pitch Slam

## Gold

**BANKS**  
Sunrise Bank

**ANGEL INVESTORS**  
Gopher Angels  
Groove Capital

**ALTERNATIVE  
FUNDING**  
DEED  
Farnam Street

## Platinum

**VENTURE CAPITAL**  
301 Inc.  
Gather Venture

**ALTERNATIVE  
FUNDING**  
Hill Capital  
Lunr Capital

**PRIVATE EQUITY**

*Industry and macroeconomic factors are subject to change; therefore, seek guidance from other founders and investors in your specific industry by asking questions.  
Redirect your approach accordingly.*



# Lending Options

## Advantages to Loans:

- Non-dilutive
- Loans may be more transparent than grants
- Reporting requirements are less than you would have for a grant
- Loans are more likely to be able to fully fund your needs
- Lenders can be more flexible than grantors with meeting your needs





# Lending Options

## NON-PROFIT LENDERS

Non-profit lenders are generally less strident on the requirements for making loans coupled with technical assistance. Loans are based on relationship rather than transactional. These loans are made with terms to fit individual business need to succeed. The following is what we look for:

- What is the amount of your loan request need?
- How much money do you need for your total project?
- What are the total project financing sources?
- How do you plan to use the funds needed?
- How will this money improve the business?
- How are you going to pay it back?
  1. Provide Tax returns
  2. Projected cash flow and profit and loss statements
  3. Current year-to-date financial statements

Generally, the lender wants to know if you have the **CAPACITY** to repay, **CAPITAL** invested(skin in the game), **COLLATERAL** or guarantees if unable to repay, **CONDITIONS** describing the intended purpose of the loan and possibility of generating sufficient income to repay the loan, and **CHARACTER** or trustworthiness of the owner(s) of the business (Credit analysis). These are called The 5C's of Credit.



# Lending Options

## Traditional Banking

- Conventional Lending
- SBA Lending

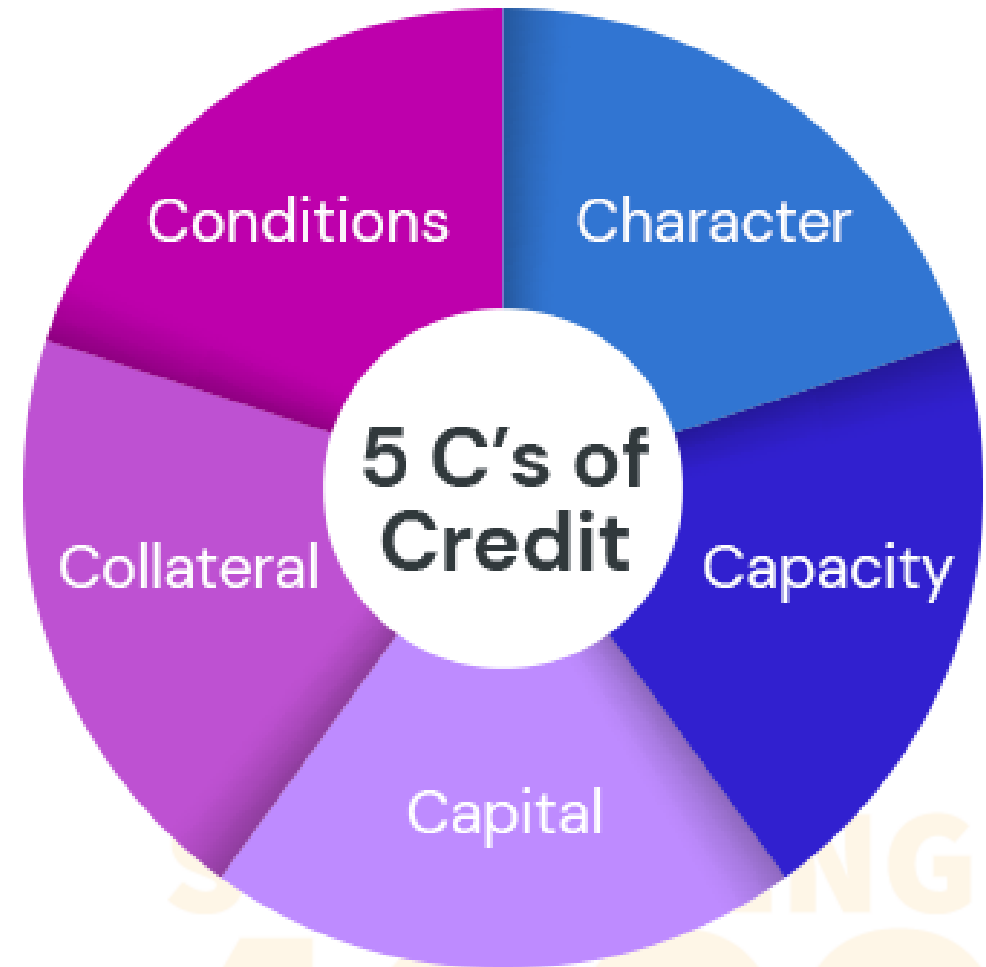
### *What are banks looking for?*

- Business plan / budget
- Business Financials: Business tax returns, Profit & Loss, Balance Sheet statements
- Personal tax returns and personal financial statement
- Personal guarantees

**\*\*\*Beware of fraud, scams and predatory lending.** Always monitor your accounts and never share any personal information or passwords over the phone or email.

# The 5 C's of Credit

- **Character** is a principal's credit history and reputation
- **Capacity** is the ability of a borrower to repay debt/loans
- **Capital** is the financial investment made in a business or down payment for a loan
- **Collateral** are the assets that secure loans
- **Conditions** are external impacts on business and the condition of the business



# The Cost of Credit

- Auto loans
  - \$20,000 over 5 years
    - 4% = \$460.41
    - 6% = 483.32
    - 8% = 506.91



- Home Loans
  - \$250,000 – 30 years
    - 4% \$1,193.54
    - 6% \$1,498.88
    - 8% \$1,834.41
  - \$20, \$20,000 – 5 years



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# Panel Discussion

To submit questions anonymously, text: 952-457-5641