

# Start-Up Funding Roadmap

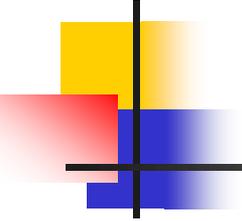
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*Inventors Council of Central Florida*

Jim Neumann

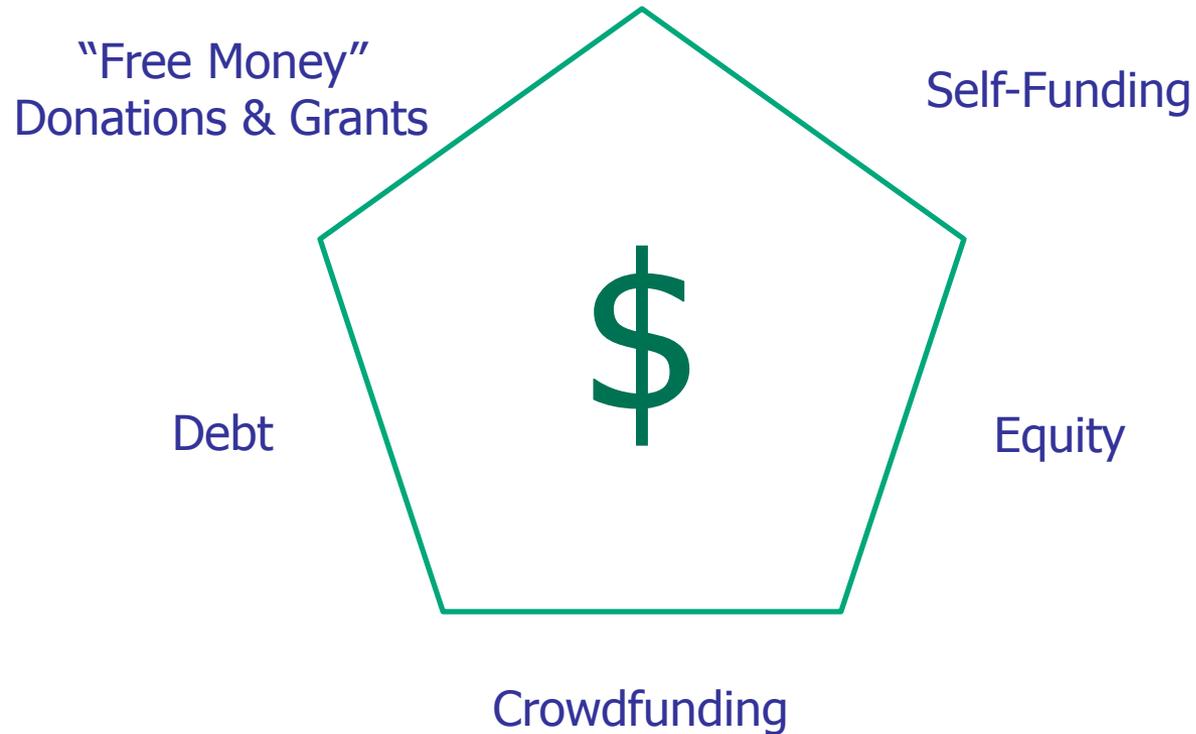
9/6/14

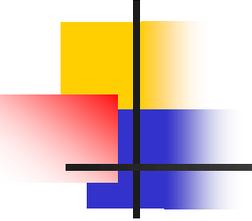




# Sources of Funds

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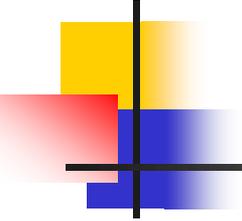




# 800 Pound Gorilla

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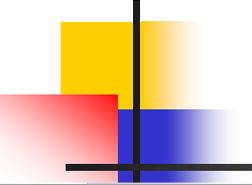
- Challenge – Making the Lender WANT to Give You Their Money
- WIIFM - What's In It For Me?
- Risk Adjusted Rate of Return
  - Return – Will I get my money back?
    - How badly hurt will I be if I don't?
  - Rate – How much money will I make?
  - Risk Adjustment – What's my safety net?



# Getting Started

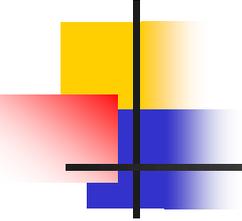
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- “The Story” - Basic Plan
  - Credible, Concise, Compelling
- Amount Needed
  - Reality (+/- 10%) with Cash Flow Projection
  - “Skin In The Game” – Investment & Net Worth
- Situational Assessment – 5 C’s of Finance
  - Cash
  - Collateral
  - Credit
  - Character
  - Conditions
- Credit Rating & Report



# Plan On A Page

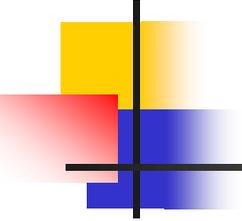
Business Area	Definition/Goal	Comments
<b>Business Scope</b>	Provide outsource business operations services	Provides cost effective perm part-time specialized expertise
<b>GTM</b>	We do your operations work, so you don't have to. Secret sauce: vOPS Reviews included (Virtual <b>OP</b> erations)	Provides client 4-8 or more hrs/wk to apply to their core work Quarterly P&P reviews w/proposed improvements
<b>Customer Attributes</b>	Start up and small to medium size businesses, all local Typical size: 8-10 employees to 40-50 employees	Allows high-touch approach, alternative to adding staff Big enough to need help, not ready to add indirect headcount
<b>Competitors</b>	DIY'ers, temp agencies	Compete on expertise, scale-ability, competitive advantage
<b>Funding Source</b>	Self funded growth	No investors needed, growth scales with customer base size
<b>Sales model</b>	Referrals, cold calls, participate sm biz networking groups	Leverage personal contacts, cultivate local sm business forums
<b>Offers</b>	Primarily reoccurring contract (~85%) One time SoW services to contract customers (~15%)	Steady, reoccurring income Quoted as value add, max discount 5-10%
<b>Target Markets</b>	Primarily technology & telecom, some non-tech businesses	Open to outsourcing
<b>Non-Markets</b>	Legal, healthcare	Too specialized
<b>Opportunity Targets</b>	Small contract: 4 hours / \$15K per year Medium contract: 8 hours per week / \$30K per year Large contract: 16 hours per week / \$60K per year	\$300/week, affordable to start ups and sm businesses \$600/week and our sweet spot \$1,150/week, after this outsourced cost, client likely to add FTE
<b>Delivery</b>	Primarily remote, onsite as needed Primarily via Melanie & Jay, 1099 as needed	Delivery done via flex hour moded tied to contract SLA Offload low end work to low cost 1099 resources (\$15/hr)
<b>Pricing</b>	Fixed price contracts = \$75/hour, disc by 20% (GM=40%)	Actual realized revenue goal of \$60/hour
<b>Profitability Model</b>	Fixed price/fixed work; gain efficiency after 60 days	Reduce applied time via best practice improvements and tools
<b>1st 12 Mos. Rev</b>	\$150K (4 sm, 2 med, 1 lg contracts)	List value \$187K / realized value: \$150K
<b>2nd 12 Mos. Rev</b>	\$300K (6 sm, 5 med, 2 lg contracts)	List value \$375K / realized value: \$300K



# Credit Report

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- Current – Less Than 30 Days Old
- Complete
  - Experian
  - Equifax
  - TransUnion
- FICO score
  - Only One FICO Score
  - Never Free
- ~45 Variations Used by Lenders and We Can't Get The Proprietary Ones

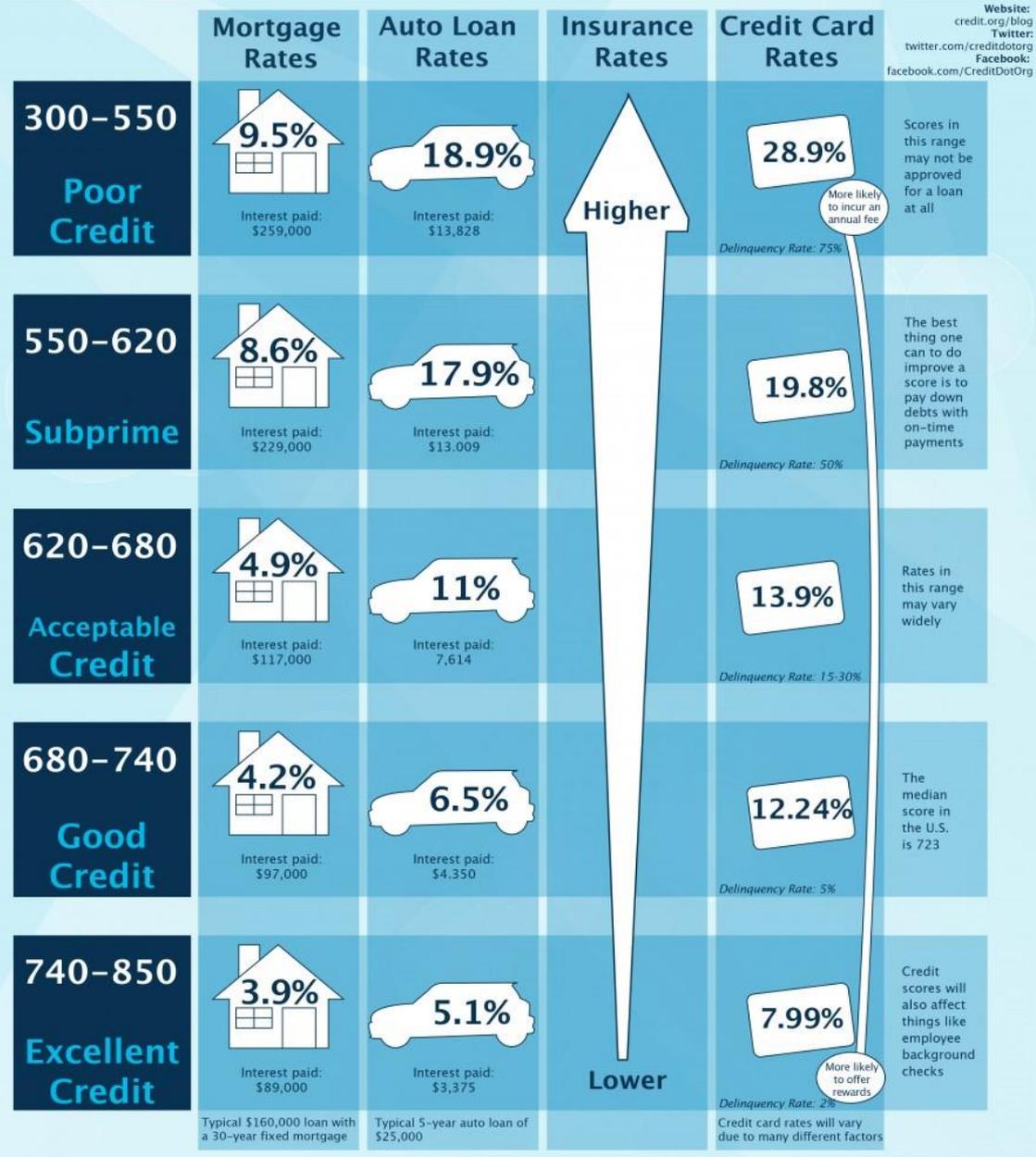


# Credit Report

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- Credit Check – Hard versus Soft Pulls
- Annual Free Report From Each Bureau (No Scores)
  - <https://www.annualcreditreport.com/index.action>
- Reports With Scores
  - <http://www.creditchecktotal.com/> - \$1
  - <http://www.creditera.com/> - \$29.99
    - Personal & Business Credit Report
  - <http://www.myfico.com/> - \$19.99 each
    - The “Real” FICO Score
- CreditKarma – Not Accepted By Lenders

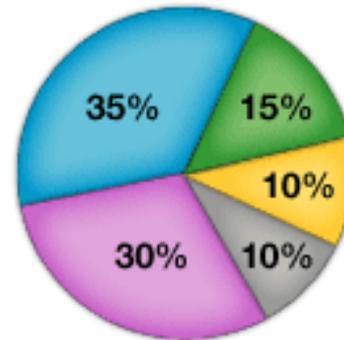
# What is a Good Credit Score?



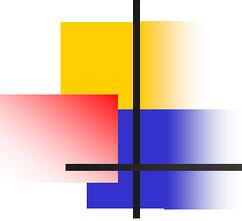
# Credit Rating

## Credit Score Ratings Chart:

760-850	EXCELLENT
700-759	VERY GOOD
723	MEDIAN FICO SCORE
660-699	GOOD
687	AVERAGE FICO SCORE
620-659	NOT GOOD
580-619	POOR
500-579	VERY POOR



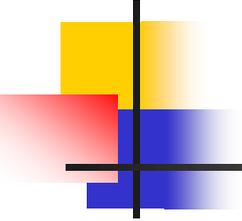
- Payment history
- Amounts owed
- Length of credit history
- New credit
- Types of credit used



# Credit Repair

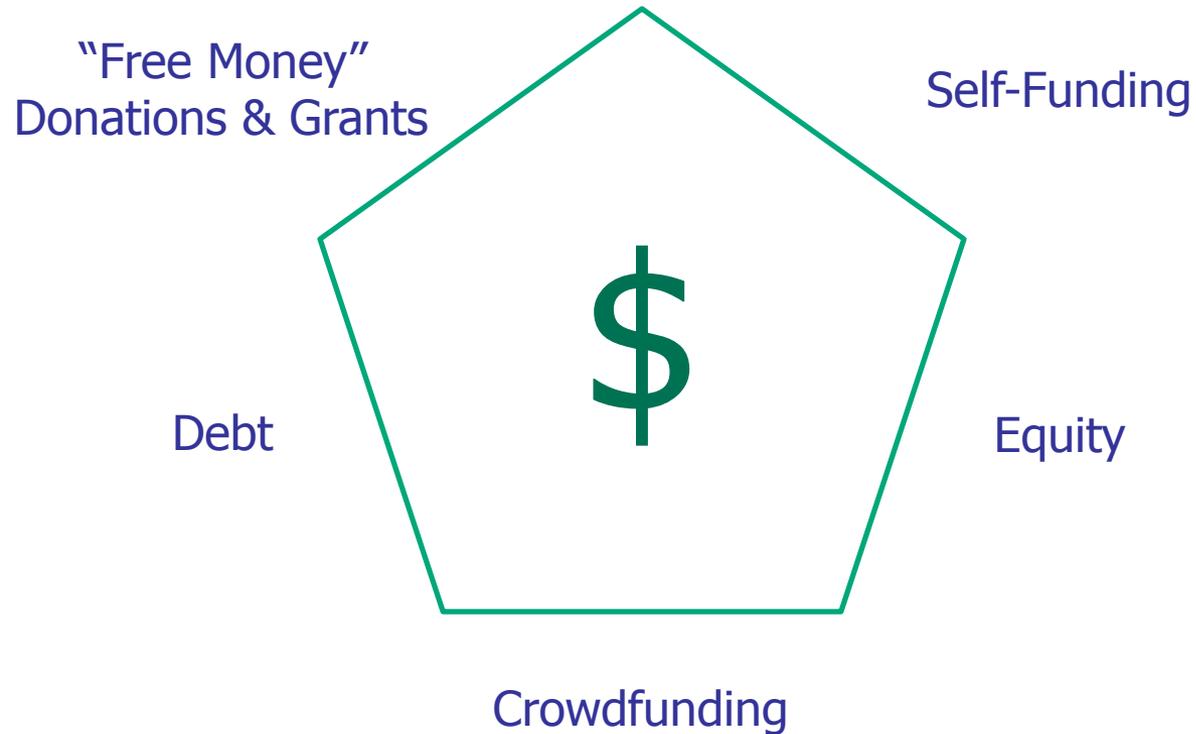
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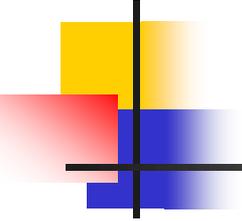
- Never Miss Payments
  - Missed Payments “Kill” Scores
- Reduce Credit Card Debt Below 10%
  - Even a Personal Loan to Pay Off Credit Cards Is Better (Keep Balances Low)
- Check Credit Reports – Errors Happen
- Credit Repair Services – Be Careful



# Sources of Funds

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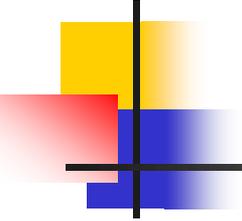




# Free Money

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- SBA Grants – None for Businesses
  - Non-Profit & Educational Programs
    - Small Business Innovation Research (SBIR)
    - Small Business Technology Transfer (STT)
  - \$1K – tons of paperwork – require loans or matching funds
- Family/Friends
  - Invest in the Person
- Crowdfunding



# Self-Funding

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*You Can Leverage Family, Friends, & Business Partners*

## Cash

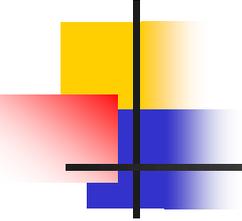
- 401K Rollover

## Collateral

- Securities
- House
- Other Assets

## Credit

- Unsecured Business Financing



# 401K Rollover

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## Benefits

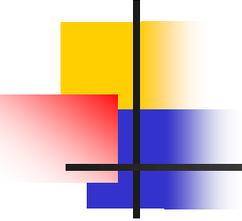
- No debt service
- No equity sharing
- Transfer equity back to retirement fund tax deferred
- Uncle Sam is “silent” partner

*Don't try this yourself –  
professional help is required*

*Not worth it unless the 401k has  
at least \$35K to \$50K*

## Process

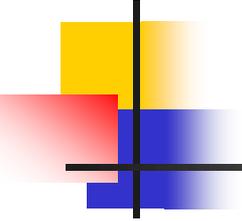
- Form a C Corp
- Form a new 401K
- Roll old 401k into new one
- New 401K buys your company stock
- Money becomes working capital
- Pay any bill – including your own salary
- C Corp buys stock back from 401k in the future



# Asset-Based Lending

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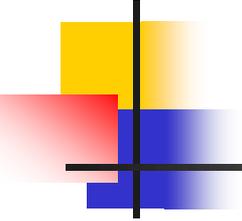
- Loans collateralized by assets with a strong secondary market
  - Stocks
    - Avoid triggering capital gains tax
    - Preserve future value of investments
    - Retain full control of all assets
  - House
  - Etc.
- FICO Score & Character Issues – n/a



# Unsecured Finance

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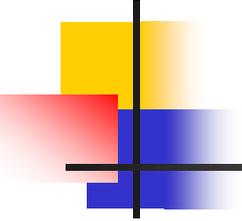
- FICO-Driven Program
- No collateral – No income doc – No financials
- Funding ranges from \$10K to \$150K
- Automatic qualification for equipment financing
- Credit does not appear on personal credit report
- Can be arranged in 2 weeks done in 5



# Unsecured Finance

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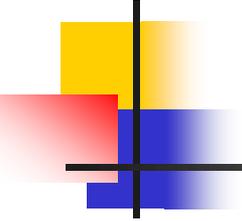
- Available to all business entities
- Don't have entity? They'll form one.
- Double the credit by having a second person participate
- Credit can be used for any purpose – marketing, services, even payroll
- Cash withdrawal service is available



# Unsecured Finance

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- Use credit only as, if, when, you need it
- Low introductory rates ( $\sim 0\%$ ) for 6 to 18 months
- Balance transfer strategy
- Builds business credit with multiple lines of credit from different sources
- Requires setup fee and personal guarantee

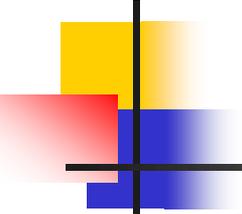


# Debt Funding

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## *The Truth About the SBA*

- Guarantees Loans – doesn't make them
  - Guarantee = intangible collateral
- Guarantees Bonds – doesn't make them
- Licenses Small Business Investment Corporations (Venture Capital) – doesn't invest
  - Supplements their funds with access to low cost, government guaranteed debt



# SBA Loan Programs

## Microloan

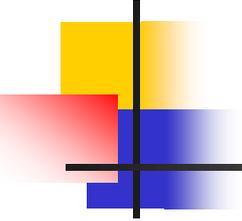
- <\$50K
- Non-Bank
- <6 Years
- 8%-13%

## 7A

- <\$5M
- Bank
- <7 Years
  - Base + 2.25%
- >7 Years
  - Base + 2.75%
- General Business

## CDC504

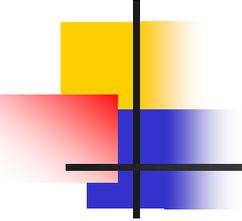
- <\$5M
- Bank
- 10-20 Yrs
- Rate varies
- Real Estate & Equipment



# SBA Requirements

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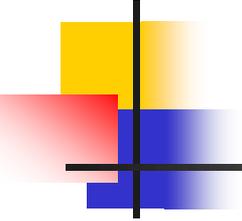
- Must NOT be able to get financing elsewhere for reasonable terms
- Financial history or startup business plan
- Equity investment -  $\sim 25\%$
- Debt coverage ratio -  $\sim 1.25$  or more
- Collateral/Personal Guarantee
- Non-financial requirements
  - Management experience, No criminal record, etc.
- Banks add their own requirements



# SBA Loan Package

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- Personal Background
- Resume
- Business Plan
- Personal Credit Report
- Business Credit Report
- Income Tax Returns
- Financial Statement (each 20% owner)
- Bank Statements
- Collateral
- Legal Documents



# SBA Loan Package

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- Answers to Key Questions
  - Why are you applying for this loan?
  - How will the loan proceeds be used?
  - What assets need to be purchased and who are your suppliers?
  - What other business debt do you have and who are your creditors?
  - Who are the members of your management team

# Equity Funding

Danger – “There Be Government Dragons Here”  
Get a Lawyer

- Family & Friends

- Invest in the person more than the idea
- \$ invested depends on circumstances

- Private Placement Memoranda

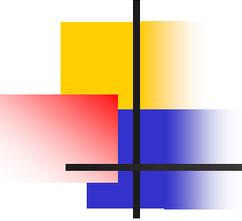
- Get investors first
- Document deal in PPM
- Can cost \$20K or more; can get for free on Internet
- Be careful – done wrongly, you go to jail

- Angel Investors

- Invest in a proven concept
- \$25K to \$100K
- Expected return = 10x in 5 years

- Venture Capitalists

- Enter after Angels for larger amounts
- Expected return = 10x in 5 years

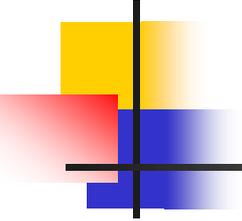


# Crowdfunding

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- Types

- Donation – “Feel Good” Concepts - Cause-based
  - “Who Gives a Crap” - \$60K for toilet paper to build toilets
    - <http://au.whogivesacrap.org/>
- Reward – T-shirts, etc.
  - Bookstore Relocation
    - <https://www.indiegogo.com/projects/laurel-book-store-downtown>
- Debt – Without Interest Payments In Some Cases
  - <http://www.clarkhoward.com/news/clark-howard/personal-finance-credit/crowdfunding-offers-new-twist-p2p-lending/nCtcp/>
- Equity – <https://www.crowdfunder.com/>
- Real Estate – mostly funding fix & flip
  - <https://www.realtymogul.com/>

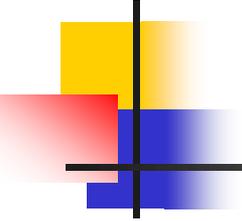


# Crowdfunding

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- Platforms

- More than 450 worldwide in 2012
- Operating Policies and Procedures vary
  - “All or Nothing”
  - “Keep It All”
- Fees vary substantially
- Acceptance of proposal varies
- Success rate - low



# Crowdfunding

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- Research the Best Platform
- Thoroughly plan your project
  - Know the \$\$\$ amount +/- 10%
- Figure out your initial reach
- Find others outside your circle to connect with



# SKULLY AR-1 The World's Smartest Motorcycle Helmet

Story

Updates 3

Comments 206

Funders 1,207

Gallery 6



Tweet



Email



Embed



Link



Follow

Heads-up display, rearview camera,

**\$1,589,484** USD

RAISED OF \$250,000 GOAL

636%

8 days left

This campaign started on Aug 10 and will close on September 09, 2014 (11:59pm PT).

Flexible Funding

**CONTRIBUTE NOW**

SELECT A PERK

**\$1,399** USD

Featured

SKULLY AR-1

<https://www.indiegogo.com/projects/skully-ar-1-the-world-s-smartest-motorcycle-helmet>



## PonoMusic

Where Your Soul Rediscovered Music

San Francisco, California, US

<http://www.ponomusic.com/>

[Share Company](#)
[Follow Company](#)
[About](#)
[Activity](#)
[Team](#)
[Investors](#)
[Followers](#) 1288

[Fundraising](#)

### Current Commitments

\$7,148,700 of **\$4,000,000**

Equity type



179% of goal

PonoMusic is raising \$4,000,000 with a minimum investment of \$5,000. Numbers displayed include non-binding commitments before investors are verified, signed, or closed. Email [support@crowdfunder.com](mailto:support@crowdfunder.com) for questions.

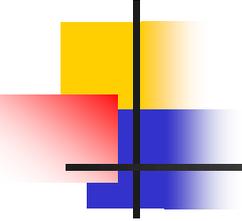
[I'm Interested](#)

### Raise Details

Funding Goal:	\$4,000,000
Current Commitments:	\$7,148,700
Minimum Investment:	\$5,000
Pre-money Valuation:	\$50,000,000
Open Date:	08/01/2014
Closing Date:	09/30/2014

### Previous Funding

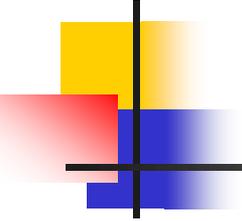
Date	Amount	Raise Type	Raise Source
April 2014	\$6,225,000.00	Crowdfunding	Other



# Crowdfunding

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- Make the Pitch Perfect - Simple Message
  - Who you are
  - What you are trying to do
  - Info that adds to your credibility
    - Models
    - Past accomplishments
  - Explain value of your product as a whole – What's In It For Them?
- Create a narrative – tell a story
- Charisma – be engaging – people buy into a person or a team
- Use a Video That “Pops”



# Crowdfunding Advice

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- Create a Marketing Plan And Timetable
  - Create “Buzz” With Family, Friends, Others ***Before*** Launch
- Research Probable Questions
  - Follow Up On Every Contact
- Manage The Process And Plan At All Times
  - Cold Call To Get At Least One New Customer Per Day To Go To The Site
- Don’t “Face-plant” When You Go Live



## Acadsoc Ltd

Online Private Tutoring

New York, New York, US

<http://www.acadsoc.com>

[Share Company](#)[Follow Company](#)[About](#)[Activity](#)[Team](#)[Investors](#)[Followers](#) 2[\\$ Fundraising](#)

### Current Commitments

\$0 of **\$3,300,000**

Equity type

0% of goal

Acadsoc Ltd is raising \$3,300,000 with a minimum investment of \$10,000. Numbers displayed include non-binding commitments before investors are verified, signed, or closed. Email [support@crowdfunder.com](mailto:support@crowdfunder.com) for questions.

[I'm Interested](#)

### Raise Details

Funding Goal: \$3,300,000

Current Commitments: \$0

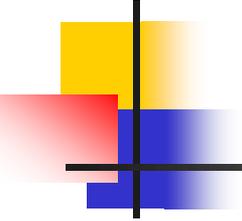
Minimum Investment: \$10,000

Pre-money Valuation: \$13,200,000

Open Date: 07/11/2014

Closing Date: 08/31/2014

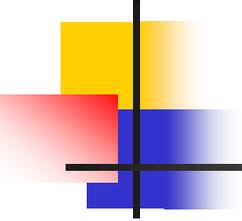
### Public Documents



# Top 10 Pitch Mistakes

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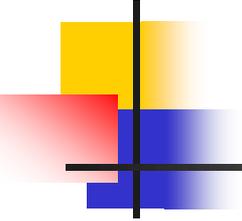
1. Not Practicing Enough
2. Not Telling a Story
3. Not Engaging The Audience
4. Taking Too Long
5. Timing Was Off
6. Failing At Q&A
7. Failing to "Build a Box" And End With "Killer Slide"
8. Failing To Convince Audience How You Are Going to Execute
9. Failing To Address Risks
10. Failing To Communicate The Details Of The Deal



# Crowdfunding Practice

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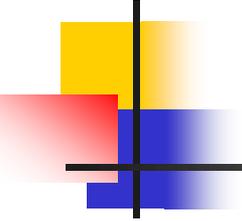
- Practice Getting Your Pitch & Video Right – for free
  - [www.wazgo.com](http://www.wazgo.com)
    - Professional Advice – for a fee



# Useful Links

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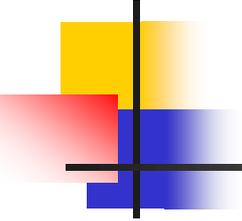
- What Is a Good Credit Score?
  - <http://credit.org/blog/what-is-a-good-credit-score-infographic/>
- MYFICO
  - <http://www.myfico.com/crediteducation/whatsinyourscore.aspx>
- Understanding Credit Reports
  - <http://www.marketwatch.com/story/dont-like-your-credit-score-ask-for-another-2014-01-14>
  - <http://www.bankrate.com/finance/credit-cards/how-to-read-a-credit-report-1.aspx>
- Boosting Credit Score
  - <http://www.marketwatch.com/story/5-ways-to-boost-your-credit-score-2014-01-15>
- Credit Blunders to Avoid
  - <http://www.marketwatch.com/story/5-things-not-to-do-if-you-want-a-better-credit-score-2014-01-15>



# Useful Links

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- SBA – outstanding mine of information
  - <http://www.sba.gov/>
    - All the details about every program and a ton of advice
  - Facts about grants
    - <http://www.sba.gov/content/facts-about-government-grants>
  - Research Grants for Small Business
    - <http://www.sba.gov/content/research-grants-small-businesses>
- BusinessUSA – Loans & Grants Search Tool
  - <http://business.usa.gov/access-financing#>
    - This link is worth its weight in gold



# Useful Links

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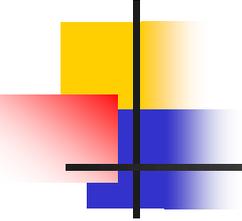
- Equity Search Tools

- <http://www.vfinance.com/>

- <http://gust.com/>

- Angel Investors - Venture Capitalists

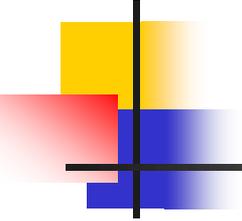
- <http://www.rockiesventureclub.org/2014/01/how-do-angel-investors-differ-from-venture-capitalists/>



# Useful Links

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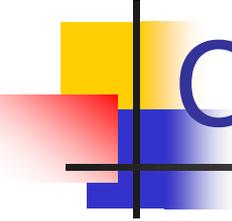
- Crowdfunding Search Tool – Flow Chart of 22 Crowdfunding Platforms
  - <http://www.inc.com/magazine/201306/eric-markowitz/how-to-choose-a-crowdfunder.html>
- Forbes – Crowdfunding Sites in 2014
  - <http://www.forbes.com/sites/chancebarnett/2014/08/29/crowdfunding-sites-in-2014/>



# Useful Links

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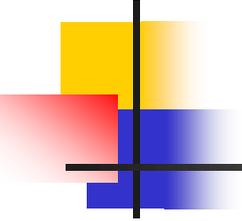
- Avoid These Pitch Mistakes
  - <http://www.rockiesventureclub.org/2014/07/ten-reasons-venture-capital-pitch-didnt-work/>



# Commercial Funding Services

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- SBA Loans
- Debt Restructuring
- AR Financing
- Unsecured Business Loans & Lines of Credit
- Easy Pay Cash Advance
- Commercial Bridge Loans
- Real Estate Financing
- Equipment Lease-Back
- Construction Equipment Financing
- Business Acquisition & Start-Up Support
- Business Directed Retirement Accounts
- Personal Asset Lending
- Securities Based Lending
- Religious Facility Loans
- Municipal Financing
- Medical Working Capital Loans
- Credit Repair



# Thank You!

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Jim Neumann

407 359 3189

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[www.commercialfundingservices.com](http://www.commercialfundingservices.com)

