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<td>Patty Post, Checkable Medical</td>
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Josh Teigen
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Director, Fargo and Southeast Center

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(701) 499-5273
ND SBDC

- Help founders start, manage and grow ND businesses
- Provide no-cost, professional business advising services, technical assistance and training in a range of areas
- 8 Service Centers
- 1,500 clients served
- $75m in capital formation
- Register at: ndsbdc.org

Fargo & Southeast Center at NDSU Research & Technology Park
ND SBDC

- Prepare small business owners to seek financing
  - Business planning
  - Market research
  - Financial projections
Small Businesses Power our Economy...

• United States
  ▫ 31.7 million small businesses
  ▫ 99% of companies in the U.S.
  ▫ Account for 48% of all jobs
  ▫ Contribute 43.5% of U.S. GDP

• North Dakota
  ▫ 75,427 small business in ND
  ▫ 98.8% of ND businesses
  ▫ 56.7% of ND employees
...and Capital Powers Small Businesses
Top 5 Reasons Why Businesses Fail

- No market need (42%)
- Lack of sufficient capital (29%)
- Lack of differentiation/poor marketing
- Hiring the wrong people
- Growing too quickly
- Other
  - Poor location
  - Competition
  - Economic conditions
Reasons for Seeking Financing

% Reasons for seeking finance (2016-2019)

- Working capital: 35%
- Purchase fixed assets: 30%
- Improve premises: 5%
- Improve goods/services: 5%
- Expansion: 1%
- Refinancing: 1%
- Start business: 1%
- Improve process: 1%
- Something else: 1%
Sources of U.S. Small Business Capital

Source: Kauffman Firm Survey
Funding sources typically available at various business stages

Seed/Startup
- Personal
- Savings
- Credit Cards
- Second Mortgage
- Friends/Family
- Equity Capital
- Angel Capital
- Venture Capital
- Loans
- Microloans
- Bridge Loans
- Grants
- Crowdfunding

Early
- Equity Capital
- Angel Capital
- Venture Capital
- Loans
- Bank Loans
- Microloans
- Grants
- Crowdfunding

Growth
- Equity Capital
- Venture Capital
- Corporate Venture
- Loans
- Bank Loans
- Government Loans
- Mezzanine Funding

Exit
- Cash Out Strategy
- Mgt. Buy Back
- ESOP
- IPO
- Valuation Partner

Cash Flow Relief
- Suppliers
- Customers
- Owners
- Valuation Partner

Declining
Primary sources of capital

- Grants
- Debt
- Equity
- Other
Grants
- Awarded by federal, state or local government, or economic development entities without expectation of repayment
- Specific in scope
- Often requires matching funds

Debt Financing
- Credit extended by bank, credit unions or other financial lending institutions with specified repayment terms
- Includes loans and lines of credit

Equity Financing
- Business seeks to raise capital by offering investors partial ownership in the company in the form of shares
A Business Plan is...

- A blueprint; roadmap; GPS
- Summary of your focus, priorities, strategy and resources required
Key Questions a Business Plan Should Answer

• What’s the BIG IDEA? (your “pitch”)
• What’s the problem you’re solving?
• How does your product or service solve the problem?
• Who are your customers? What’s the market opportunity?
• Who are your competitors?
• What’s your competitive advantage?
• Who is on your team?
• How are you going to make money?
• How will you grow your business?
• What resources and capital will it take?
Business Plan Components

• Part I – Business plan narrative
• Part II – Financial projections
• Part III – Supporting documents
Part I – Business Plan Narrative

• Executive summary
• Business description
• Market analysis
• Marketing plan
• Operational plan
• Management plan
Market Research

- Industry trends
- Market opportunity/demand
- Local market conditions
- Target market/customer profile
- Competition
Part II - Financial Projections

- Three-year detailed projections
  - Balance sheet
  - Profit & loss
  - Cash flow
- Should be consistent with your business plan
- Critical assumptions should support the numbers
Financial Pro Forma Key Questions

• Does the company generate sufficient cash flow to make its debt service payments (DSCR)?
• Does the company reach the break-even point (BEP) within 12 months?
• Is AR, Inventory, AP within industry norms?
• Is revenue growth “realistic” and consistent with business plan assumptions?
• Is COGS within industry norms?
• Is payroll and owner salary “reasonable?”
• Are other operating expenses in line with industry averages?
Part III – Supporting Documents

- Legal entity documentation
- Industry trends
- Industry financial benchmarks
- Local/regional market data
- News articles
- Lease agreements
- Floor plans
- Detailed list of assets
- Purchase agreements
Shayden Akason
Head of Investments and Innovation

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(701) 328-4563
Grants

• SBIR/STTR
• APUC
• Operation Intern
• Innovate ND
Small Business Innovation Research Program (SBIR) and Small Business Technology Transfer (STTR)

- Federal Research and Development to Stimulate Technological Innovation
- Programs Structured in Three Phases
- Awards are generally between $800,000 - $1,000,000
Agricultural Products Utilization Commission (APUC)

- North Dakota Department of Agriculture
- New/Expanded Uses of ND’s Agricultural Products
- Applications Reviewed Quarterly
Operation Intern

• Purpose: Creation of new internships and apprenticeships for targeted industries and in-demand occupations
• Matching funds for each student: $4,000
• Total funds employer can receive per funding round: $20,000
• Applications will be accepted starting on February 1, 2022 for next funding round
Innovate ND

- **Entrepreneur Centers:**
  - NDSU Research & Technology Park
  - CTB in Bismarck
  - Jamestown Regional Entrepreneurial Center
  - UND Center for Innovation

- **Program Goals:**
  - Grow Entrepreneurial Ecosystem
  - Educate and Assist Participants

- **Phases:**
  - Phase 1 - $2,000
  - Phase 2 - $6,000
  - Phase 3 - $12,000
  - Phase 4 - $20,000
Debt Financing

Josh Herbold  
VP Business Banking  
jjherbold@Bremer.com  
(701) 492-2609

Kevin Warner  
Senior VP Business Banking  
KevinWarner@gatecity.bank  
(701) 298-2827
Prepare to meet with a lender

- Know your business!
- Practice your ‘pitch’
  - 5 minutes
  - Be prepared to back up your claims with data
- Gather and organize all materials
  - Use a binder or folder
Be prepared to answer....

• How much capital do you need?
• How will the money be used?
• How will the loan be repaid?
• What collateral do you have to offer as a secondary source of repayment?
• How much equity are you investing?
Meet with a lender

• Dress professional
• Be confident but don’t oversell.
• Be upfront and truthful
• Be prepared to provide additional information
  • Articles of organization
  • Licenses, permits and registrations
  • Blueprints, lease agreements
• Follow up with a thank you note
Typical Required Documents

- Loan application
- Personal financial statement (PFS)
- Personal (business) tax returns (2-3 years)
- Bank statements (past 3-12 months)
- List of current assets
- Resumes of all owners
- Credit references
- Legal documents (permits, licenses, leases, contracts)
- Company historical financial statements (3 years)
- Business plan
- Financial projections (3 years)
5 Cs of Credit

- Collateral
- Capacity
- Capital
- Character
- Conditions
Types of Loans

TERM LOAN

Financing
- Fixed Asset Purchases: Permanent increases in Accounts Receivable and/or inventory

Structure
- Principal and interest are paid in regular installments

LINE OF CREDIT

Financing
- Temporary increase in: Accounts Receivable and/or Inventory caused by seasonal, cyclical, or projects.

Structure
- Interest only monthly
- Line usually required to be at a zero balance annually

SHORT TERM LOAN

Financing
- Temporary increase in: Accounts Receivable and/or Inventory caused by seasonal, cyclical, or projects.

Structure
- Very flexible – can be principal and interest paid in regular installments or at maturity.
Types of Loans

• Other loan types
  ▫ Generally used less frequently but are common enough to mention.
  ▫ Bridge Loan
    ▪ This is short term financing usually due to cash being tied up in another asset.
    ▪ An example is buying a new property and selling current property. Need cash from current to buy new one.
  ▫ Construction Loan
    ▪ This is a short term loan used to improve an asset. Most common is to construct or renovate real property.
    ▪ The payoff of the construction loan is usually permanent financing or sale of asset.
Sources

- **Equity**
  - Cash
  - Land contribution
  - Venture capital/Angel Funds
  - Shareholder subordinate loans

- **Debt**
  - Bank Loan Proceeds
  - Nonbank financing – leases, dealer financing, other nontraditional
  - SBA 504 loan
  - Gap financing
  - Seller financing
Uses

• Fixed Assets
  ▫ Equipment  -  Source:  Cash, term loans generally 5-7 years
  ▫ Real Estate -  Source: Cash, term loans generally 15 – 20 years

• Working Capital
  ▫ Start up expenses  -  Source:  Equity, gap financing, Venture Capital
  ▫ Inventory – Source:  Cash, operating loan
  ▫ Accounts receivable  -  Source:  Cash, operating loan

• Intangible Assets
  ▫ Intellectual property – Source: Cash, venture capital, gap financing
  ▫ Good will (business acquisition) – Source: Cash, venture, seller financing
Sources and Uses Scenario

- Purchase an existing retail business
- Purchase price is $850,000
  - $500,000 for the real estate and fixtures
  - $100,000 for the inventory
  - $250,000 goodwill (usually based on a multiple of EBITDA)
Sources and Uses Scenario - continued

**SOURCES**
- Bank Loan – 20 Years: $250,000
- SBA 504 – 20 Years: $200,000
- Cash Equity – Owners: $50,000

**USES**
- Real Estate/Fixtures: $500,000
- Inventory: $100,000
- Goodwill: $250,000
Loan Approval

• Conditional written approval
  ▫ Commitment Letter.
  ▫ Letter of Intent.
  ▫ Summarizes the terms of the proposed obligation.
  ▫ Approval is subject to specified items. Some examples:
    • Appraisal of property.
    • Approval of participating bank.
    • Loan program approval/qualification (BND, SBA, USDA, etc.)
    • Verification of equity into project.
    • Financial statements being provided and reviewed.
Loan Approval - continued

• Conditional written approval
  ▫ Common for there to be a fee required with the commitment due to expenses the lender will incur during due diligence.
• Review the commitment from the lender before signing. This document will be used as the basis for the permanent financing.
• Negotiate the terms to be included or excluded.
Which lender should I choose

- Start where you are!
- Process small business loans
- Has experience or expertise in your industry
- Knowledgeable about financing programs such as SBA loan guaranty programs
What if I am declined?

- Ask for the reason(s) in writing
- Ask if this is a permanent denial
- Can the loan request be resubmitted if concerns are addressed?
- Other options?
- Other lenders?
- Other programs?
Beginning Entrepreneur Loan Guarantee

“A North Dakota resident who has graduated from High School or has a GED with some training by education or experience in the type of revenue-producing that persons wishes to begin.”

• Maximum net worth requirement and maximum loan $500,000.
• May provide a one-year interest only period.
• By Statute, the entrepreneur must be a North Dakota Resident.

<table>
<thead>
<tr>
<th>MAXIMUM LOAN AMOUNT</th>
<th>MAXIMUM GUARANTY PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $150,000</td>
<td>85%</td>
</tr>
<tr>
<td>$150,001 to $300,000</td>
<td>75%</td>
</tr>
<tr>
<td>$300,001 to $500,000</td>
<td>50%</td>
</tr>
</tbody>
</table>
Business Development Loan

• Program is designed to assist new and existing businesses in North Dakota obtain loans which have a higher degree of credit risk than would otherwise be acceptable to a lending institution.

• BND participation may not exceed $1,000,000.

• The lead financial institution must retain a minimum of 10% of the loan.

• The interest rate may be variable or fixed and must be acceptable to the Bank of North Dakota. Lead financial institution may charge an origination fee of up to 1% which shall be shared with BND.

• Proceeds may be used to
  • Establish or purchase a new or existing business.
  • Finance acquisition of property.
  • Remodel or expand an existing business.
  • Purchase or lease equipment.
  • Provide working capital.
  • Refinance an existing loan.
Accelerated Growth Loan Program

• The company must show prospect for sales growth of 15% or greater over the three-year period.
• Or demonstrated sales record with minimum monthly recurring revenues of $50,000 per mo.
• Software as a Service (SaaS) companies must have a minimum net annual revenue retention rate of 85%.
• Could include purchase orders for merchandise or services.
• BND’s participation may not exceed $3,000,000; or 9X the monthly recurring revenue, whichever is greater.
• The lead financial institution’s share is a minimum of 10 percent of the total loan amount
• Maximum loan term of 10 years.
• The interest rate is WSJ Primes plus 2%.
Accelerated Growth Loan Program (continued)

• Proceeds may be used to
  • Finance the acquisition of real property
  • Remodel or expand an existing business if owner-occupied
  • Purchase of lease equipment
  • Provide working capital
  • Refinance an existing loan with a maximum amount that may not exceed 30 percent of the new loan
PACE Loan

- Borrower must be a primary sector business as defined by NDCC 1-01-49 and must be certified by the ND Department of Commerce

- Maximum BND buydown $500,000. Community share is 15% to 35%. Must also meet Community’s program requirements.

- Buydown parameters changes to include total project investment as qualifying criteria

<table>
<thead>
<tr>
<th>TIER</th>
<th>BND BUYDOWN</th>
<th>MINIMUM INVESTMENT</th>
<th>OR</th>
<th>JOBS CREATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$100,000</td>
<td>$750,000-$1,200,000</td>
<td></td>
<td>2-5</td>
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<tr>
<td>Tier 2</td>
<td>$200,000</td>
<td>$1,200,001-$2,200,000</td>
<td></td>
<td>6-10</td>
</tr>
<tr>
<td>Tier 3</td>
<td>$300,000</td>
<td>$2,200,001-$3,500,000</td>
<td></td>
<td>11-15</td>
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<tr>
<td>Tier 4</td>
<td>$400,000</td>
<td>$3,500,001-$4,500,000</td>
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<td>16-20</td>
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<tr>
<td>Tier 5</td>
<td>$500,000</td>
<td>$4,500,001+</td>
<td></td>
<td>20+</td>
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</table>
Flex PACE Loan

Flex Pace Loans do not require primary sector job certification. These loans can be utilized by communities for economic development projects they believe are important to their community.

- Maximum buydown for businesses--$200,000
- Maximum buydown for childcare--$300,000
- Maximum buydown for affordable housing--$500,000
Thank you!

Bank of North Dakota
Al Haut
SBA ND District Director
alan.haut@sba.gov
(701) 239-5049
How Can an SBA-backed Loan Help You?

- Launch and grow
- Start or purchase a small business
- Access revolving credit or working capital for day-to-day expenses
- Purchase, renovate, or expand facilities
- Purchase inventory, equipment, or machinery
- Purchase land or real estate
- Export a product or service
SBA Guaranteed Loans

• The SBA does not lend money; it “guarantees the loan”
  ▫ The loans are for small businesses that are not able to obtain credit elsewhere
  ▫ The program operates through private-sector lenders that participate in SBA lending programs
  ▫ Mitigates the lender’s perceived risk
    ☐ Still requires The Five Cs
SBA Loan Programs

• 7(a) Loan Program
  ▫ SBA’s primary business loan program
    □ Maximum loan amount of $5 million

• SBA Express Programs
  ▫ Streamlined, expedited loan process
    □ Geared toward faster approvals
SBA Loan Programs continued

- **504 Loan Program**
  - Capital assets only - buildings and major equipment
  - Fixed rate – up 25 years

- **SBA Microloans**
  - Loan amounts of $50,000 or less
  - Management/Technical Assistance usually provided
What’s the advantage of a Government-Guaranteed Loan?

• For banks/credit unions
  ▫ Less risky for them because the government “guarantees” a percentage of the loan

• For YOU
  ▫ Can obtain loan without as large of a down payment or as much collateral on-hand
  ▫ Good interest rates and longer terms
  ▫ No balloon payments or demand clauses
Lender Match helps you find lenders.

Lender Match (formerly LINC) is a free online referral tool that connects small businesses with participating SBA-approved lenders.

How it works.

1. Describe your needs
   Answer a few questions about your business in as little as five minutes.

2. Get matched in 2
   Compare rates, terms, fees, and more.

3. Talk to lenders
   
4. Apply for a loan

Details.

What happens next?
You'll receive an email with contact information of interested lenders two business days after you submit the form. From there, you'll start talking to lenders and completing applications. Some will reach out to you, and you're welcome to contact them as well.

What should I ask a lender?
Ask lenders about interest rates, minimum credit score, cash-flow requirements, and other qualifying factors. Get an understanding of prepayment penalties, grace periods, and if when the lender can demand full repayment of the loan's principal.

How many lenders participate?
More than 300 lenders participate in Lender Match throughout all 50 states and U.S. territories. While all lenders who use Lender Match offer SBA-approved loans, many also offer conventional loans.

Before you start talking to lenders, have a look at the abbreviated checklist to see if you're ready.

- **Business plan**
  Most lenders expect a business plan when you apply for startup funding. If you need to create one, follow our free business plan guide.

- **Amount & use of funds**
  Know how much capital you need and how it will help your business. You can use an SBA-approved loan to flip a house.

- **Credit history**
  Lenders use credit scores to determine credit risk and interest rates. The SBA helps guarantee some loans that otherwise may not qualify.

- **Financial projections**
  Show you understand your business finances, how the funds will be used, and how you'll pay back the loan.

- **Collateral**
  Many lenders require you to use another asset to guarantee your loan. This can be a home, car, inventory, or other property you own.

- **Industry experience**
  Industry experience isn't required, but it's helpful. First-hand knowledge about your industry can make your lender feel confident about your loan request.
The SBA Resource Partner Network

Can help you develop your business plan, expense sheets, financial statements, and financial projections.

ndsbdc.org  http://www.ndwbc.com  www.score.org  und.edu/dakotasmvboc

Find local resource partners near you at SBA.gov/local-assistance
John Machacek
Chief Innovation Officer, GFMEDEC

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(701) 364-1921
Alternative Lending

Alternative financing is by definition an alternative to traditional financing (i.e. through banks or credit unions).
Disclaimer (aka I’m Not An Expert)

• Today’s speakers make no representations or recommendations regarding their products or services.
• Any borrower pursuing alternative financing should do their own due diligence in regards to fees, interest rates, and terms.
• www.borrowersbillofrights.org - the BBoR outlines six fundamental financing rights for small businesses and identifies a set of specific practices that are required of lenders and brokers to comply with these rights. To date, more than 90 organizations have joined as signatories or endorsers.
Why Look to an Alternative Lender?

• Lack of Collateral
• Lack of Business Plan
• Lack of Secondary Source of Repayment
• Lack of “Skin in the Game”
• Risky
• Helps increase your product visibility
• Test A Market & Demand
• Pre-sales for a product launch
• Social cause (fits niche programs)
Examples of Alternative Lending

- Crowdfunding
- Peer-to-Peer Lending
- Online Marketplace Lending
- Equity Funding (discussed next)
- Merchant Cash Advance & Alternatives
- Brokers
- Program Related Investments (PRI) via foundations
- Programs via state/city/etc economic development
Types of Crowdfunding

- “Donation”
- Rewards
- Debt
- Equity
“Donation”-based

gofundme

FUNDLY

FundRazr

patreon
Reward-Based

Factor in your time and the process, cost, time to fulfill the rewards!
Lending-based
Equity-based (cap raise from $1M to $5M)
Crowdfunding Statistics

- Average campaign size & success rate vary based on type
  - Kickstarter – under $10,000; 39% GOAL success
  - Indiegogo - $41,000; 38% “success” (9% GOAL success?)
  - Wefunder - $320,000+; 75% success
- Average campaign lasts about 9 weeks
- Campaigns that gain 30% of funding in the 1st week are more likely to succeed
- Family, friends and friends of friends are important chunk of initial funding
- Do your homework on the most applicable option (if any)
- https://www.fundera.com/resources/crowdfunding-statistics
Compare Marketplace Options

- Loan amount (need & can afford)
- Rate (amount; fixed; variable)
- Loan Term
- Speed of Funding
- Loan type
- Fees & Penalties

Don’t Go At It Lightly & Loosely!
Online Marketplace Lenders

- Lending Club
- Prosper
- Funding Circle
- OnDeck
- Dealstruck
- Smartbiz
- SoFi
- UpStart
- Fundation
- Kabbage (lines of credit)
- Fundbox (accounts receivable financing)
- PayPal Working Capital
- Square Capital
- Amazon Lending
Examples of Alternative Lending

- Crowdfunding
- Peer-to-Peer Lending
- Online Marketplace Lending
- Equity Funding
- Merchant Cash Advance & Alternatives (watch your cost!)
- Brokers
- Program Related Investments (PRI) via foundations (social)
- Programs via state/city econ dev (NDDF, Microloan, Flex, etc)
Gregory Syrup
Partner, 701 Angel Fund
ND SBDC CARES Act Program Manager

greg@701angelfund.com
(701) 741-6259
What is equity investment?

• Company gets money or capital > investor gets shares of ownership/company stock
• Typically preferred stock or common stock.
  ▫ Founders usually hold common stock
  ▫ Investors opt for preferred stock.
• Preferred stock – may offer some other protection(s) to the investor or warranties/options/liquidation preference/dividends.
Are you a Small Business or a Startup?

**Startups**
- Based in technology
- Easy to distribute and scale (nationally/globally) via technology
- Potentially disruptive product/service
- Strong competitive advantage
- Barrier to entry for competitors
- Best fit for alternative funding (angel investors, VC, crowdfunding)
- Higher potential for growth/returns, but more risky

**Small Business**
- Based in services or retail
- Tough to scale without adding more employees
- Differentiation is through quality, service, management/leadership, and/or price
- Fewer barriers to entry
- Tend to be more local or regional
- Growth is slower, but less risky
- Best fit for traditional sources of financing, such as loans, but could have investor partners.
Where to find investors?

- **Friends & Family**: People that believe in YOU!
  - Good for $25k+
  - Anything less you probably don’t need the outside investor or it is not worth it unless you need to move quickly!
  - Pre-Seed

- **Angel Investors**
  - $25k-$750k – High Net Worth Individuals (HNI) that are accredited investors
  - Ideal if they have ties to the industry or the ability to leverage their business expertise to advance the startup
  - Convertible Notes/SAFEs or Priced Equity
  - Pre-Seed, Seed Rounds
The Startup Lifecycle

Maturity
- Concepts / ideas
- MVP, prototypes
- Product-market fit
- Working at scale
- Diverse revenue streams

Typical Raise
- < $1 million
- < $2 million
- $3-12 million
- $10+ million
- $100+ million

Typical Valuation
- $1-3 million
- $3-10 million
- $10-30 million
- $100 million
- $500+ million
<table>
<thead>
<tr>
<th></th>
<th>Seed/Angel</th>
<th>Venture Capital</th>
<th>Private Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage of Business</td>
<td>Founding, startup, pre-revenue</td>
<td>Early stage, pre-profitability</td>
<td>Mid to later stage, profitable, cash flow</td>
</tr>
<tr>
<td>Size of Investment ($)</td>
<td>$10,000’s to a few million</td>
<td>A few million to tens of millions</td>
<td>Wide range: a few million to billions</td>
</tr>
<tr>
<td>Type of Investment</td>
<td>Equity, SAFE</td>
<td>Equity, convertible debt</td>
<td>Equity with leverage</td>
</tr>
<tr>
<td>Investment Team</td>
<td>Entrepreneurs/past founders</td>
<td>Mix of entrepreneurs and bankers/finance</td>
<td>Mostly bankers/finance professionals</td>
</tr>
<tr>
<td>Level of Risk</td>
<td>Extreme risk, high chance of losing all money</td>
<td>High risk, moderate chance of losing all money</td>
<td>Moderate risk, low chance of losing all money</td>
</tr>
<tr>
<td>Return Profile</td>
<td>&gt;100x return targets</td>
<td>&gt;10x return targets</td>
<td>&gt;15% IRR</td>
</tr>
<tr>
<td>Industry Focus</td>
<td>Varies firm to firm</td>
<td>Varies firm to firm</td>
<td>Varies firm to firm</td>
</tr>
<tr>
<td>Investment Screening</td>
<td>Founders, TAM, market share potential, virality, # users, etc.</td>
<td>Founders, market share potential, revenue, margins, growth rate</td>
<td>EBITDA, cash flow, IRR, financial engineering</td>
</tr>
<tr>
<td>Examples</td>
<td>Paul Buchheit / Y Combinator, AngelList, Techstars, Jeff Clavier</td>
<td>Andreessen Horowitz, Sequoia Capital, VantagePoint, Highland</td>
<td>KKR, Carlyle Group, Blackstone, Apollo</td>
</tr>
</tbody>
</table>
Preparing for an Investor Pitch

• How much have you invested yourself?
  ▫ In both time and money...
• Investor Preferences/Background
  ▫ Are they industry specific/stage specific?
  ▫ Do they have domain/industry expertise?
• How much do you need to raise? What is your burn rate (monthly loss)?
  ▫ Most believe you need 18-24 months (or more) of capital to grow/meet goals.
Preparing for an Investor Pitch

• Product/Market Fit
  ▫ You have repeat customers/users or customer champions.

• Problem/Solution Fit
  ▫ How is your solution uniquely positioned to succeed?

• Return on Investment - Expectations
  ▫ Most investors want to know when or how they can expect some return on their investment. What is the strategy? Grow to IPO? Acquisition by Google/Facebook/Amazon? Or, are you looking to make a social or environmental impact?
Important Areas to Cover in Pitch Deck

- Team/Founders/Advisors
- Market Opportunity (ideally over $1B+)
- Product + product road map
- Business Model/Pricing
- Marketing/Distribution/Go-to Market Strategy
- Revenue Growth + Cash Flow/Runway + Burn
- Use of Investment Proceeds
- Financial Projections
Market Opportunity

**Total Addressable Market**
Total market for your product.

**Serviceable Obtainable Market**
Percentage of SAM you can realistically capture.

**Serviceable Available Market**
Portion of the market you can acquire based on your business model (your targets).
Due Diligence Process May Include...

- Meet with Founder – review Pitch Deck
- Request Data – Financial Statements/Projections, Customer List or Sales Pipeline, Cap-Table
- Deep Dive discussion to ask follow-up questions/understand thought process
- Customer Calls
- Legal Diligence – Bylaws, Stock Plan, Customer/Partner Agreements, Certificates, etc.
Final Thoughts

• The earlier the stage, the more the investment is about the founder or team and overall market opportunity.
• Communicating often and setting realistic expectations for your customers and investors is important.
• Be skeptical. Trust, but verify.
Local Programs that can help get you started:

- **InnovateND** – ND Dept. of Commerce – up to $40,000
- **LIFT Loan Program** – ND Dept. of Commerce - up to $1 million+
- **ND Development Fund** – up to $1 million as a Loan
- **ND Growth Fund** - $250 million from ND Legacy Fund for local investment
- **Seed Capital Tax Credit** – Individual investors can get up to 45% in credits on startup investments (Direct Investment)
- **Angel Fund Tax Credit** – up to 35% in credits (Pooled Investment)
Small Business Panel Q & A

Moderator: John Cosgriff, NDSU RTP Incubator Manager, Venture Capitalist

Founders
• Patrick Mineer, Golden Path Solutions
• Lisa Neimiller, Elevate Rock School
• Patty Post, Checkable Medical

Investors
• Jim Buus, FM Angels
• Tommy Kenville, Valley Angels
• Greg Syrup, 701 Angels
• 50 South Capital (Tentative)

Questions: Tweet to #financingnd
Wrap-up

• Questions
• One-on-one meetings
• Conference surveys
Thank you!
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