



FM SMALL BUSINESS SUMMIT • 2026

Financing Small Business

Paul Smith | ND SBDC SE Center



Your Ideas - Our Expertise - Your Success



Southeast Center

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Powering the creation, growth and success of small business in North Dakota.

Providing no-cost, confidential business advising services, expertise, resources and connections to help small businesses thrive.

Register: ndsfdc.org



ND SBDC Core Services

Our clients represent a wide range of business sectors at every stage

Pre-venture

- Legal setup/registration
- Business planning
- Market research / analysis
- Financial projections
- Funding pathways
- Buying a business

In-business

- Growing your business
- Financial analysis
- Operational challenges
- Exporting your product
- Exit planning / selling a business



NORTH DAKOTA SMALL BUSINESS DEVELOPMENT CENTERS



🏠 / ND SBDC

ND SBDC

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ND SBDC

The North Dakota Small Business Development Centers - powering the creation, growth, and success of small business in North Dakota.

We use our expertise to help you make your business successful. Our professional business advisors have years of experience and know what it takes to start a business and operate it successfully in our state.

I AM A BUSINESS OWNER

I WANT TO START A BUSINESS



Partners



Funded in part through a cooperative agreement with the U.S. Small Business



Your Ideas - Our Expertise - Your Success

“The help received was greatly appreciated and answered all of our questions while pointing us in the right direction.”

////// The Big Question

Why do some businesses obtain funding - while others don't?

They reduce uncertainty and earn confidence.



LOWER RISK



HIGHER CONFIDENCE → FUNDED

Small Business is the Economy



78,219

small businesses in North Dakota
— 98.8% of all ND businesses



3/4

have no employees —
sole proprietors



24,229

small businesses in the FM metro



2,940 / 2,522

ND small businesses opened vs.
closed in a year — net positive



42%

of ND businesses are women-
owned



7.6%

of ND businesses are veteran-
owned

Many apply – Fewer Get Fully Funded

Approval isn't guaranteed, and the terms you get depend on your strength.



■ Full funding ■ Partial funding ■ No funding



46%

received the full amount requested



32%

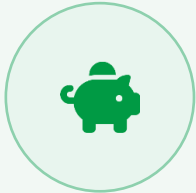
received only partial funding



22%

received none of the financing sought

Common Sources of Capital



Owner equity

“Bootstrapping.” Personal savings and assets, friends/family



Debt financing

Bank and credit union loans, lines of credit, microloans, direct business loans



Public / ED Programs

SBA, BND, USDA guarantees and participation, Flex PACE, community EDA funds, gap financing



Grants

Innovation grants, competitions, sector-specific, workforce grants



Equity investment

Angel investors, venture capital, strategic investors, private equity



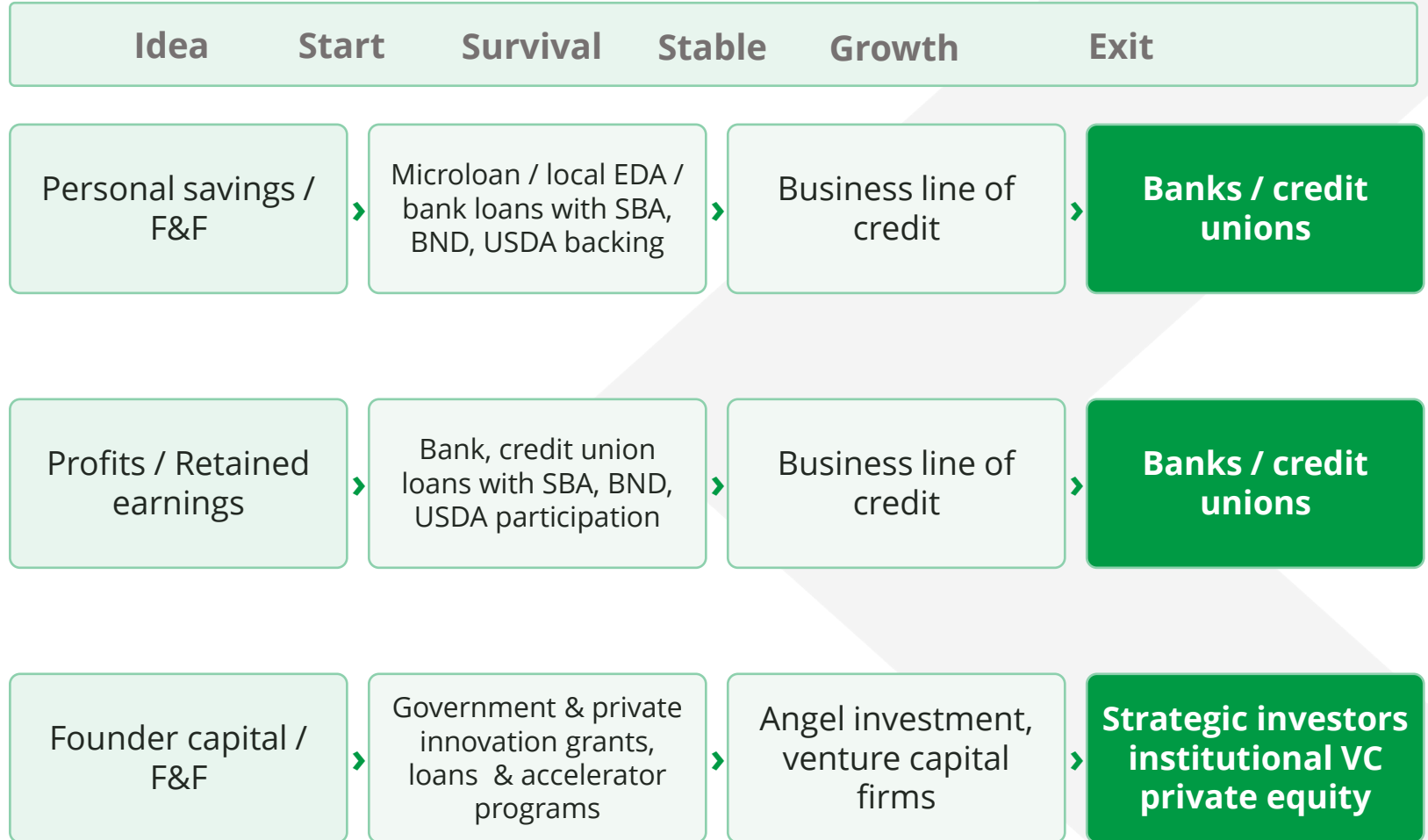
Alternative financing

Crowdfunding, online lenders, factoring, merchant cash advances



75% of new businesses use personal savings to fund startup expenses.

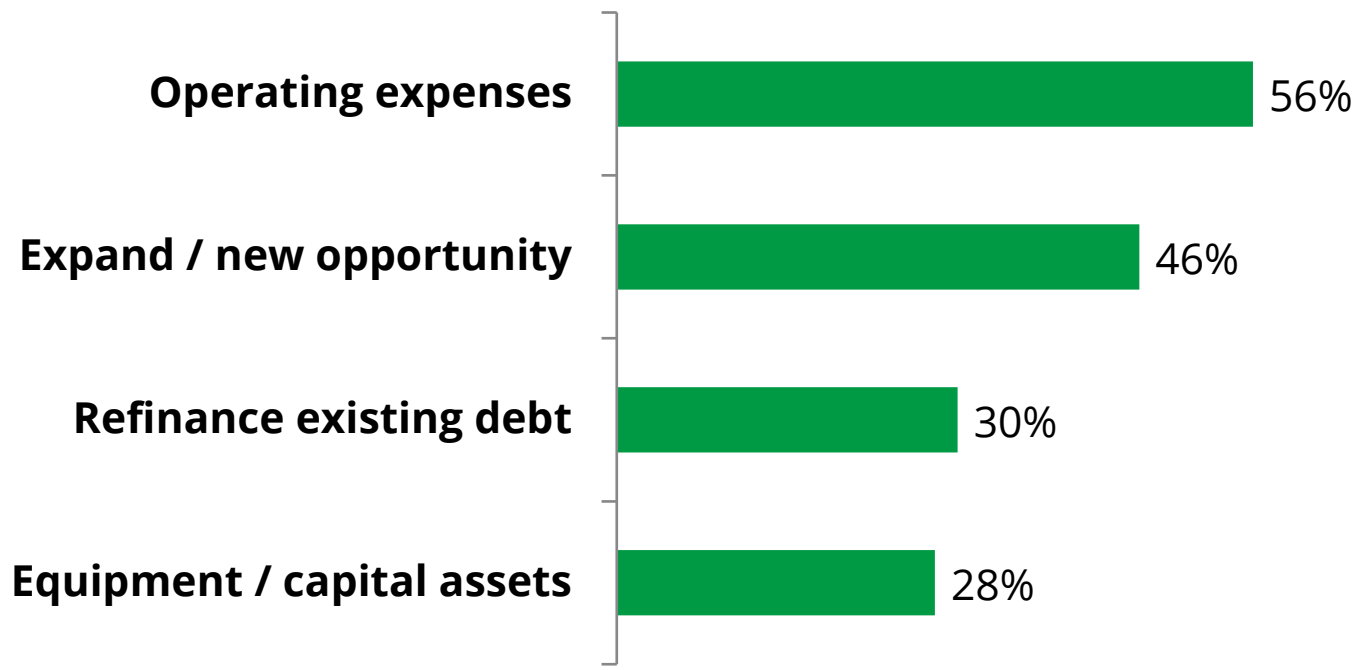
Funding Pathway by Business Type & Stage





Uses of Capital

Why businesses seek financing



Source: Federal Reserve Small Business Credit Survey, 2025. Respondents could select more than one reason.



Match the Financing to the Need

THE NEED (Uses)

THE RIGHT TOOL (Sources)

LONG-TERM



2 - 25 years

Real estate / build-out → Commercial mortgage • SBA 504 loan

Equipment & vehicles → Term loan • equipment financing • SBA 504 loan

Acquisition / expansion → Term loan • equity / retained earnings

SHORT-TERM



under 12 months

Inventory → Line of credit • supplier trade credit

Working capital / seasonal gaps → Line of credit • short-term loan

Receivables / timing gaps → Line of credit • factoring

Resolving the Three Unknowns



Demand risk

Will customers buy?

Is there real, paying demand at a price that sustains the business?



Execution risk

Can the owner/team deliver?

The experience and capacity to operate it well?



Repayment / return risk

Will the numbers work?

Well enough to repay debt, reach the next milestone, or generate investor return?



The "5 C's of Credit"

Execution risk

Repayment risk

Demand risk

Character
credit, experience,
integrity

Capacity
cash flow and
margin to repay
debt

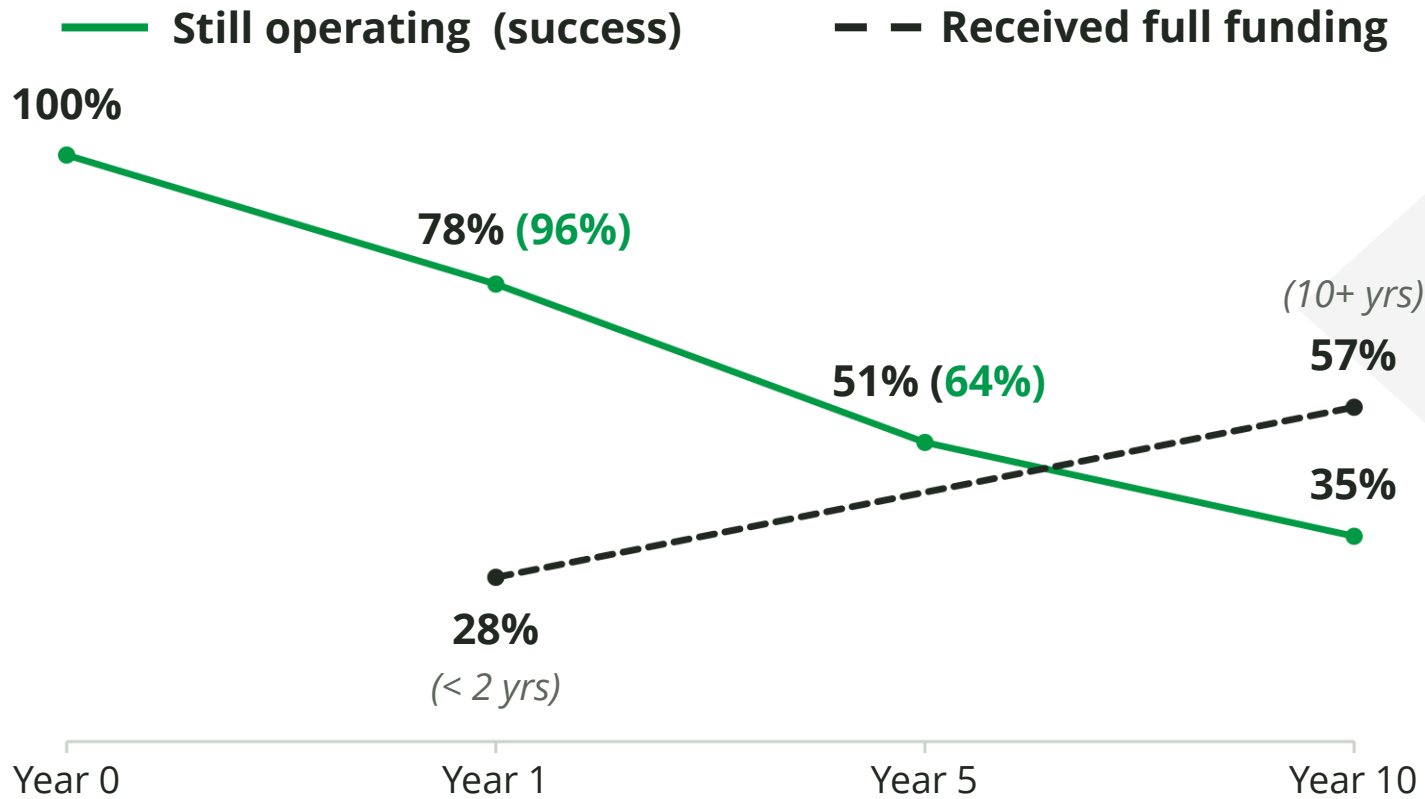
Capital
owner investment
skin in the game

Collateral
secondary
repayment source

Conditions
industry,
economy,
demand,
competition

Time Changes Everything

Fewer businesses survive over time — but the ones that do are far more likely to get funded.



2x
more likely to be funded
after 10 years vs. a startup

Why Businesses Don't Get Funded


If sales come in 30% below forecast for the first year, can the business still survive and make loan payments?

 **Insufficient cash flow**

 **Inadequate owner capital**


 **Poor credit history**

 **Weak projections**

 **Failure to demonstrate sufficient demand**

 **Insufficient collateral**

 **Lack of experience**

 **Incomplete documentation**

45%

of denied or partially funded applicants cited low credit score — the single most-common factor.



How to Become More Fundable

Shift from asking for money to building confidence.

Denied

Partial funding

Fully funded

Better terms



Prove Demand



Answers: Demand risk

Any business

- Actual sales and/or signed contracts
- Customer discovery and interviews
- Waitlists and pre-orders
- Market demand data
- Realistic assumptions
- Repeat purchases / customer retention

Tech / scalable startup

- Clarity around the problem being solved
- Market validation with prospective customers
- Beta with MVP
- Clear pathway to revenue / revenue model
- Program participation (Innovate ND, gener8tor)
- Ability to attract investment

Prove Execution



Answers: Execution risk

Any business

- Relevant industry experience
- Team capacity to deliver
- A clear, credible operating plan
- Systems and processes in place
- Reliable bookkeeping and reporting
- Advisor and mentor support

Tech / scalable startup

- Founder–market fit
- Industry knowledge
- Technical capability
- Follow-through
- A plan to scale; milestones
- Coachability

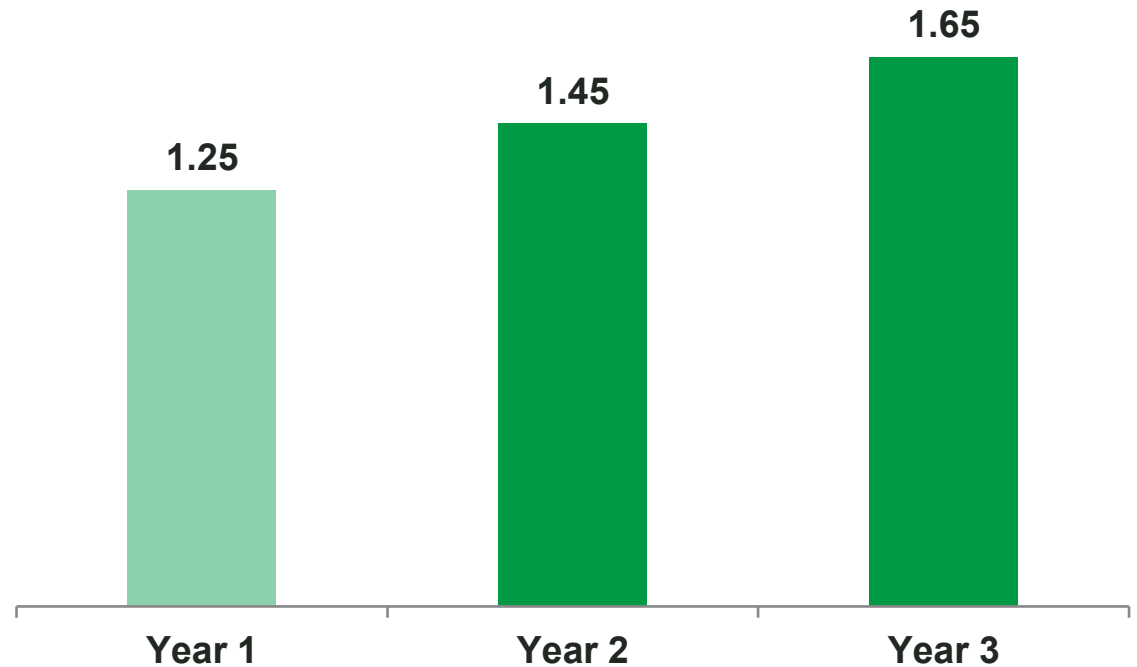
Prove the Numbers Work



Answers: Repayment / return risk

- Revenue, gross margin, operating expenses and net profit are within industry norms
- Realistic owner draw
- Sufficient debt coverage (DSCR)
- Reasonable break-even point
- Positive cashflow even with reduced sales

1.25 DSCR = common lender threshold





Key Questions

Business model

- 1** What's the problem you're solving?
- 2** How does your solution solve the problem?
- 3** Does sufficient demand exist? How do you know?
- 4** What is your competitive advantage?
- 5** How will you make money?

Funding

- 6** How much capital do you need?
- 7** What will the funds be used for?
- 8** How much will you be contributing?
- 9** What collateral exists?
- 10** Are the projections realistic? How do you know?



What to Bring

- ✓ Business plan / project summary
- ✓ Sources and uses of funds
- ✓ Financial / cash flow projections (typically 3-years)
- ✓ Written assumptions to support the projections
- ✓ Business & personal tax returns
- ✓ Personal financial statement (PFS)
- ✓ List of available collateral
- ✓ Historical financial statements
- ✓ Existing debt schedule
- ✓ Accounts receivable / payable aging
- ✓ Inventory details
- ✓ Other: Bids, quotes, purchase orders, lease or purchase agreement, market research

Using AI in Finance



Good uses

- Organize documents
- Challenge assumptions
- Summarize financial statements
- Validate vs. industry norms
- Run what-if scenarios
- Prep for lender questions



Bad uses

- Inventing revenue assumptions
- Copying generic industry numbers
- Ignoring local market data
- Submitting unfiltered AI content
- Replacing your accountant, lender, or advisor



Simple prompt

“Review these financial assumptions and projections as a commercial lender and credit analyst. Identify weak logic, missing support, unrealistic assumptions, cash-flow risks, DSCR concerns, and questions I should be prepared to answer.”

Use AI as an assistant and analyst, not a creator.

AI Risks and the Human Role



Risks to watch

- Confident, but wrong answers
- Generic numbers that ignore the local reality
- “Black-box” decisions you cannot explain to a lender
- Over-automating and added complexity
- Data privacy and security exposure



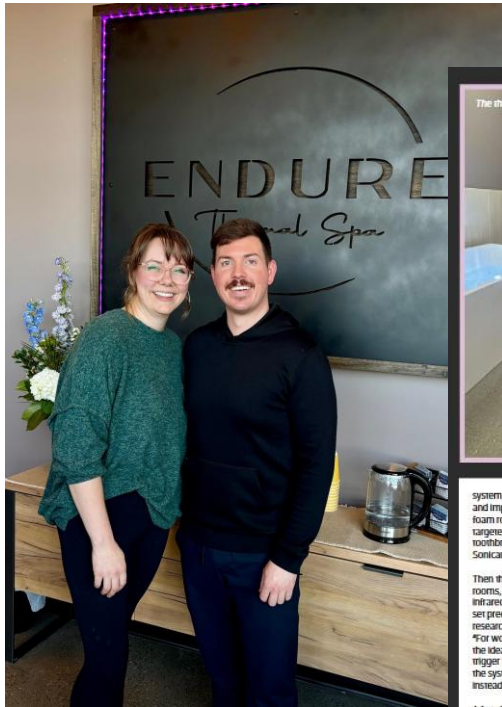
Where humans lead

- Empathy: relationships with customers
- Authenticity: your unique voice and story
- Transparency: be able to show your work
- Judgment: the final call stays with you
- Review every output before it goes out

AI assists, you decide.

From Idea to Open – Endure Thermal Spa

Fargo founders who reduced the unknowns and earned the confidence to get funded.



The thermal cycle setup.

Cold Plunge 101 with Endure

- Target temp: 55°F
- Sweet spot: 2-3 minutes
- Beginner tip: Even 30 seconds counts
- Women: Avoid plunges under 51°F during certain hormone cycles
- Why it works: Activates brown fat, spikes norepinephrine, supports hormone balance, and builds resilience to stress

system, reduce inflammation, and improve circulation. Think foam rolling, but automated and targeted. "If foam rolling is a manual toothbrush, the lymphatic roller is a Sonicare," Katie said.

Then there's the sauna—three private rooms, each with a two-person infrared sauna—and a cold plunge set precisely to 55 degrees. "We researched everything," Ethan said. "For women, 51 to 60 degrees is the ideal window—cold enough to trigger the benefits without shocking the system. Men can plunge longer instead of colder."

A fourth sauna—dubbed the Social Sauna—can hold up to 12 people comfortably. It's the centerpiece of what the Pendleys hope will grow into a genuine wellness community.

Each session begins with hydrogen water, followed by the roller, then the sauna, then the plunge. "It's a full-body reset," Ethan said. "Not just physically, but mentally, and emotionally."

Living the Brand

The Pendleys don't just run Endure—they live it.

Katie has continued her own wellness journey, balancing homeschooling, motherhood, and entrepreneurship while diving deep into Pilates, nutrition, and

circadian health. Ethan, meanwhile, maintains a full-time job in business management and still finds time for fitness, prayer, and family.

"It's not balance—it's integration," Ethan said. "Work, faith, health, family—it's all woven together. I wake up at 5 a.m. most days. Katie runs the facility during the day. I help close it down at night. We've sacrificed downtime to build something that matters."

That "something" goes far beyond saunas and rollers.

"What we're really offering is permission," Katie said. "Permission to take time for yourself. To rest. To heal. To try something new. To believe that feeling good doesn't have to be a luxury—it can be a lifestyle."

70 ■ MAY 2025

Katie & Ethan Pendley opened the FM area's first dedicated infrared-sauna, cold-plunge, and lymphatic-therapy spa in March, 2025.

"Don't underestimate the value of grit and community."
-- Katie Pendley

ND SBDC assistance:

- Business planning
- Market research
- Financial projections
- Loan package

Panel Discussion



Alex Lacey
Gate City Bank



Katie Pendley
Endure Thermal Spa



Aimee Schwartzwalter
Balance Tax & Accounting