financials: funding opportunities
welcome

This guide is for **when you have exhausted all self-funding options**, you are running out of family and friends to buy your products and services and don't know where to go next for money to sustain or grow your business.

This is by no means an exhaustive list of options but it is a good start to learn, plan and most importantly, **take action**.

There are clickable links throughout the guide to take you right to documents you need and the websites of the potential resources/organizations you see. If something is underlined, it's a link.

Please note that BKLVLUP is not making any recommendations nor are we vouching any of these companies. We are **only** showing you what is available so that you can make informed decisions on your own. Always consult your trusted team of advisors (attorneys, accountants, financial advisors, mentors, & accountability partners) before taking any action(s).
How to Prepare for Funding: Documents & Reports to Gather and Questions to Ask Before Seeking Funding

Loans: Types & What’s Available

Equity: Investor Model

Grants: Types & What’s Available
Organizing your business documents saves time and reduces stress. You will have everything you need to move quickly when opportunities arise. It is easier to determine which opportunities are right for you. It is easier to measure and more importantly manage the trajectory of your business.

Pros:
- Organizing your business documents saves time and reduces stress.
- You will have everything you need to move quickly when opportunities arise.
- It is easier to determine which opportunities are right for you.
- It is easier to measure and more importantly manage the trajectory of your business.

Cons:
- Outside of the initial hurdle of taking the time to decide on systems and continuously committing to reviewing the reports and acting on them...there are NONE.
Prep Work:

Systems will save you. The systems you set up to organize your business documents and monitor your business activities will also create the plans and reports that you need to track performance, prepare budgets and apply for all available types of funding quickly and with ease.

Before you can dive into getting funding you should prepare documents, plans and reports that provide information that are generally required by most funders. You also need to ask yourself and/or business partners some questions before you take on loans or equity investments in particular.

The more your "back of house" is in order, the more prepared you will be to make the best choices going forward.

The next few pages will help you to set up that structure and ask those important questions.

"What gets measured, gets managed."
-Peter Drucker, Management Guru
Documents & Reports to Gather Before Funding

*Systems will save you.* In general, you will need these documents. Remember that every lender is different. You may need more or less depending on their specific requirements.

### Incorporation Documents

Keep the following in one folder (hopefully electronic):

- Filed and stamped copy of your Certificate of Incorporation (for corporations), Articles of Organization (for LLCs), or partnership agreement(s) along with your filing receipt
- Certificate of Assumed Name if you act as a sole proprietor or your business operates under a different name than is filed with the State.
- EIN Number
- 501(c)3 designation letter (if you are a nonprofit)
- Bylaws and/or Operating Procedures
- Copies of the Owner(s)’ driver’s license or other state recognized ID
- For loan applications you may need:
  - Most recent mortgage/rent statement (from the time period of the application)
  - Most recent utility bills (from the time period of the application)

### Financial Documents

Keep the following in one folder (hopefully electronic): Having a [Quickbooks](https://quickbooks.intuit.com) or [Wave](https://wave.com) account will help you prepare these reports

- 1-2 most recent years of federal taxes (business and personal)
- Most recent Profit & Loss and Balance sheets (especially if you haven't filed taxes yet for the year)
- A trailing flow of Profit and Loss Statements as of the date of application
- Your personal financial statement

### Business Plan with Financial Projections

Having a business plan that takes everything from inside of your head and heart and puts it on paper with research and numbers to back it is key. This free [Centro Community Partners mobile app](https://www.centrocommunitypartners.com) helps you make a business plan if you haven't already.
Questions to Answer Before Funding

Don't be afraid of uncomfortable conversations. On the other side are your best decisions.

When You are Seeking Funding, Ask Yourself:

**Use of Funds:**
- Is it a good business decision to take on this type of funding for my business at this point in time?
  - For Equity Investment:
    - Does my business have a track record of revenue that would be attractive to this type of funder?
    - Have I weighed the pros and cons of selling ownership interests in my business?
  - For Grants:
    - Do I meet the grant eligibility requirements?
    - How much time will it take for me to do the research and complete the application compared to award amount? Is this a good use of my time?
    - Is this restricted or unrestricted funding? What am I allowed to use this funding on?
    - Am I prepared to do the reporting (in terms of time and scope) that the grant funder may require to show what I did with the funding my business received?
  - For Loans:
    - Will I have enough revenue to cover my business expenses and the loan payment?
    - Will this loan help cover my costs while I wait for guaranteed sales or accounts receivable to be paid to my business?

**Payment Amount:** (For Loans)
- Can I afford the monthly or other repayment terms?
- Can I make interest only payments until business returns to normal?
- Is there a loan deferment or grace period that will help with my cash flow?

**Cost:** (For Loans)
- Can I afford the interest expense? The longer my payment term is, the smaller my monthly payments are but the higher my interest expense is over time.

**Timing:**
- How long will it take for my business to receive this type of funding?
- How can I adjust my business’ budget if this type of funding is not approved or received by the time I need the funds?

**Terms:**
- Has the funder been transparent about the terms of the funding and any/all related fees (especially for loans)?
now that you have a handle on the basics...

Let's dive into learning more about loan, equity investment and grant funding details and resources.
Loans: Types and What's Available

Debt Financing: Money borrowed from an individual, government, or company that is expected to be paid back and most likely with interest.

Pros:
- Many available products and deal terms
- You can deduct the loan interest payments from your business taxes
- Typically the lender does not get involved in your business decisions

Cons:
- You usually have to pay back the money you borrowed
- Depending on how long it takes to pay back, the interest rate can cause the loan to be very costly
- Even if your business fails, you still have to repay the loan
What to Do Before Applying for a Loan:

- Ask the lender what loan products based on your profile are available to you and how much they will cost. You are in information gathering mode.
  - Once you have a sense of all available options on the table (and from various lenders) then you can determine what terms work best for you.
- Figure out how much money you need to apply for to cover your business' needs and calculate your requested loan amount.
- Prepare the necessary forms and supporting documents from your documents and reports folder.
- Know your numbers! Review your business expenses, credit and current debt.
- Calculate your repayment amount and create 2 plans BEFORE spending a single dollar of funding:
  - a plan for how to spend the funding should you receive it; AND
  - a plan for how you will repay the loan

How Much Money Should I Apply For?

- Review your chosen lender’s requirements
- What is your purpose for getting these funds?
  - The way you intend to spend the funds must align with what the lender allows: for example, new equipment, working capital, staffing, capacity building/training
- Know your numbers! Determine how your business will generate enough revenue to repay the loan
  - Many lenders will require that you personally guarantee the loan repayment if your business is unable to repay the loan.
Use a Loan Calculator

Use a loan calculator **BEFORE** you accept a loan to get an estimate of your monthly payment for a term loan with fixed interest and monthly payments. Always confirm your loan payment schedule with your lender.

Click the calculator icon to go to NYC Small Business Services' Loan Repayment Calculator

Determine what is the best repayment strategy for your business:

- A shorter loan term period increases the immediate monthly payment but you pay less interest over time.
- A longer term period decreases your immediate monthly payment but you pay more interest over time.

What Lenders Consider When Approving your Loan

Every lender uses different underwriting guidelines when determining your eligibility for their loan products. You need to be clear on how the factors below will impact the success of your business loan application.

Every financier considers the following factors:

1. Credit
2. Character
3. Cash Flow
4. Capital
5. Collateral

Example:

- Little to no savings
- <1 year in operation (low cash flow)

Different Loan Types
Loan Type 1:  

SBA Loans: These loans are low interest loans guaranteed by the US Small Business Administration's various loan programs. The loans are not directly through the SBA but through SBA-approved lenders in general or SBA-preferred lenders that the SBA has pre-qualified to make final credit decisions on SBA-guaranteed loans.  [Click for SBA's Lender Match Connector](https://www.lendingtree.com/business/sba/pros-and-cons-of-small-business-administration-loans/)

Pros:
- SBA caps lender interest rates
- Reduced lender risk which increases chances of loan approval
- Loans range from $500 to $5.5 Million
- Can fund working capital, inventory & commercial equipment expenses
- Businesses that don’t qualify for traditional loans can qualify
- Resource centers available to provide assistance

Cons:
- Typically requires good credit to qualify
- Takes months to receive funding if you don't work with a preferred lender
- Typically you have to make a downpayment
- Collateral could be required
- Slow approval process
- Personal liability if the business defaults on loan (meaning you are personally on the hook for paying back the debt)
### What's Available

**SBA Loans: 7(a) Loans**

Six (6) Main Types:
- Standard 7(a)
- 7(a) Small Loan
- SBA Express Loans
- Export Express Loans
- Export Working Capital Loans
- International Trade Loans

<table>
<thead>
<tr>
<th>7(a) Loan Program</th>
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</thead>
<tbody>
<tr>
<td><strong>$5 Million Maximum</strong></td>
</tr>
<tr>
<td><strong>25 Year Repayment Maximum</strong></td>
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<tr>
<td><strong>Interest Rates:</strong></td>
</tr>
<tr>
<td>Fixed up to 11.25% Maximum</td>
</tr>
<tr>
<td>Variable up to 8% Maximum</td>
</tr>
<tr>
<td><strong>Eligibility Requirements:</strong></td>
</tr>
<tr>
<td>Must Be a Registered &amp; Legal For-Profit Business</td>
</tr>
<tr>
<td>Cannot be in the Following Businesses:</td>
</tr>
<tr>
<td>- Non-Profit Organizations</td>
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<tr>
<td>- Real Estate Investment Firms When the Property is for Investment Purposes Only</td>
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<tr>
<td>- Speculative Businesses such as Oil and Commodities</td>
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<tr>
<td>- Rare Coins and Stamps Dealers</td>
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<tr>
<td>- Banks, Finance Companies, Leasing &amp; Insurance Companies</td>
</tr>
<tr>
<td>- Pyramid Plans</td>
</tr>
<tr>
<td>- Illegal Businesses</td>
</tr>
<tr>
<td>- Businesses Involved in Gambling Activities</td>
</tr>
</tbody>
</table>

**Click for SBA Size Standards Tool**

**Terms, Conditions & Eligibility:**

- Must Be Considered an SBA Small Business
- Must Do or Plan to Do Business in the US or its Territories
- Must Show a Need for the Loan by "Having Skin in the Game": Time &/or Money in the Business (Use Personal Assets before Seeking Financial Assistance)
- Must Use the Funds for a Sound Business Purpose
- Can't be in Default on any Existing Debts Owed to the US Government
- Borrower Must be Unable to Get Funding from Another Financing Institution

**Application Documents:**
- Form: SBA Form 1919
- Personal Background & Financial Statements
- Business Financial Statements
- Ownership & Affiliations List
- Business License or Certificate
- Loan Application History
- Income Tax Returns
- Resumes for Each Principal Owner
- Business Overview & History
- Business Lease
What's Available

SBA Loans: Microloans

General Information:
- Start Up and Expansion Funding
- Special Nonprofit Community Based Organizations Act as Intermediary Lenders,
- These Intermediary Lenders Provide Management, Technical Assistance & Program Administration
- Average Microloan is about $13,000

Microloan Program
SBA's smallest loan program that provides small, short-term loans to small businesses and certain not-for-profit child-care centers. How it can be used:

- Best Used When Less than $50,000 is Needed to Rebuild, Re-Open, Repair, Enhance, or Improve the Business
- Working Capital
- Inventory
- Supplies
- Furniture
- Fixtures
- Machinery
- Equipment

Eligibility Requirements:
- Each Intermediary Lender Has its own Lending and Credit Requirements

Things to Consider:
- These Loans Target Borrowers from Underserved Markets such as Women, Minorities and Those with Lower Incomes
- Interest Rates are Based on a Federal Prime Rate of 3.25%

Application Documents: Differ According to Intermediary Lender. Your Local SBA District Office Will Connect You with the Right Lender for You

Click for Local SBA District Office
What's Available

SBA Loans: Disaster Loans

Disaster Loan Program
Low-interest loans to businesses of all sizes, private non-profit organizations, homeowners and renters in areas affected by declared disasters and working capital to help eligible small businesses and nonprofit organizations overcome economic injury caused by a declared disaster.

General Declared Disaster Relief:

- When there are hurricanes or other natural incidents for example that are “declared disasters” by the government, there are disaster-related loans that can be approved to replenish what has been damaged or lost. There is a list of current declared disasters organized by state and incident.
- These loans are available to businesses, private nonprofit organizations, homeowners and renters. Click for Information
- Types of Disaster Loans:
  - Home and Personal Loans  Click for Information
  - Business Physical Disaster Loans  Click for Information
  - Economic Injury Disaster Loans  Click for Information
  - Military Reservists Economic Injury Loans  Click for Information

To apply for a general Disaster Loan, you have to create an account online. Click for Information
What's Available

SBA Loans: CDC/504 Loans

SBA partners with Certified Development Companies (CDCs) to provide this loan funding. Funding comes from 3 components:
- Up to 40% from a bank, credit union or another approved lender;
- 50% from the CDC; and
- Typically 10-20% in borrower downpayment.

CDC/504 Loan Program

Provides long-term, fixed rate financing for major fixed assets like equipment or real estate.

How it can be used:
- Best Option to Use When the Fixed Asset Promotes Business Growth and Job Creation
- Purchase or Construction of:
  - Existing Buildings or Land
  - New Facilities
  - Long-Term Machinery & Equipment
- Improvement or Modernization of:
  - Land, Streets, Utilities, Parking Lots & Landscaping
  - Existing Facilities

Eligibility Requirements:
- Must Operate as a For-profit Company in the United States or its Possessions
- Must have a Tangible Net Worth of Less Than $15 Million
- Must Have an Average Net Income of Less Than $5 Million after Federal Income Taxes for the 2 Years Preceding Your Application
- Must Fall within SBA Size Guidelines
- Must Have Qualified Management Expertise
- Must Have a Feasible Business Plan
- Must Have Good Character
- Must Have Ability to Repay the Loan

Things to Consider:
- These Loans are Available Exclusively through CDCs.
- CDC portion of the Interest Rate can range from 2.231% to 2.399% (as of 11/2020).
- Third Party Bank Portion of the Funding Has a Maximum Rate of 6% Above the Prime Rate

A fixed asset is something you purchase for long-term use that can’t be converted into cash quickly like buildings, land, vehicles, furniture or machinery or computer equipment.
Loan Type 2:

Crowdfunded Loans: "Crowdfund" your project or business venture by raising small amounts of money from a large number of people, typically via the internet. Investors lend money to early-stage businesses or individuals through a regulated platform. Debt crowdfunding is similar to a loan in which investors receive payment on a fixed schedule with interest.

Pros:
- Not much financial risk
- Your campaign could go viral on social media
- Successful campaign validates business idea
- You keep all of your business' equity
- Tap into an existing community & build your own
- You don't take on long-term debt

Cons:
- Campaign might not succeed
- Someone could steal idea
- Takes time & money
- Typically pay several fees to crowdfunding platform & credit card companies
- Doesn't work for all businesses

https://fundbox.com/blog/5-pros-and-cons-of-crowdfunding-your-businesses/
What's Available

Crowfunded Loans

Did you know there are over 600 crowd funding platforms worldwide? Here are 14 to consider...

- **kiva.org/borrow**: (one of the few companies that does not require you to have a business plan in advance; can borrow up to $15,000 with 0% Interest, 6-month grace period and up to 36 months to repay)
- **ifundwomen.com**: (focuses on women-led startups, reinvests portion of fees back into businesses, and provides coaching)
- **wefunder.com**: (geared for any product or innovative idea you may want to launch for a maximum of 60 days; one of the few companies that does not require you to have a business plan in advance; can borrow up to $15,000 with 0% Interest, 6-month grace period and up to 36 months to repay)
- **seedinvest.com/raise**: (you will undergo a thorough screening process and the length of your campaign can be from 45 days to 6 months depending on your business)
- **ioby.org**: (geared for nonprofit organizations seeking fiscal sponsorship, technical assistance, training, matching funds and volunteers)
- **indiegogo.com**: (focuses on venture-capitalist track startups but has all-or-nothing funding and provides resources for startups)
- **mightycause.com**: (geared for nonprofit organizations seeking a low-cost fundraising platform, option for year-round fundraising, additional branding and other tools)
What's Available

Crowfunded Loans

*WEnc has some great resources to help you ride the latest trends in successful campaign building.*

- **givelively.org**
  - geared for nonprofit organizations seeking a free digital, event and peer-based fundraising platform, that is easy for donors to use

- **fundable.com/raise-capital**
  - focused on expanding startups and has campaign consulting services but has an expensive per month platform fee

- **kickstarter.com**
  - strictly for artists, designers, makers, musicians gamers, film, photography and other creatives seeking funding for projects they "share with others"

- **patreon.com**
  - geared towards artists, social media influencers, and creatives seeking "patrons" to fund their work

- **republic.co**
  - crowd safe security campaigns that are either equity or reward based

- **startengine.com/raise-capital**
  - allows you to seek funding from average, everyday people no matter the industry

- **gofundme.com**
  - charitable cause focused, allows individuals to raise funds for personal expenses and to keep other businesses alive with a 0% platform fee
Loan Type 3:

Community Development Fund Institutions ("CDFIs"): These are specialized community-based financial institutions with a primary mission of promoting economic development especially for people living in low-income communities that have been historically underserved by traditional financial institutions. Think of CDFIs like "mission-based lenders."

Pros:
- Provide capital and financial services to businesses, individuals and organizations that are often overlooked by traditional banks
- Provide technical assistance, support and affordable loan products
- Offer funding to a wider variety of small businesses
- Instrumental in distributing much-needed funding during pandemic relief efforts

Cons:
- Much of CDFIs' ability to supply financial products is limited by the federal government and investors making it hard to meet the increased demand for their services
- May have higher interest rates and fees compared to traditional banks but lower costs to borrow compared to alternative lenders
What's Available

Community Development Fund Institutions: CDFIs

There are more than eighty (80) CDFIs that serve New York State.

They tend to be organized by geographical area so there will definitely be one near you no matter where your business is located.

NYC CDFIs & Available Loan Programs

Different CDFIs have different missions. Some focus on revitalizing commercial corridors. Some create affordable housing opportunities. Some foster the creation of thousands of jobs. Others support start-up and expansion of businesses.

To Access CDFIs specifically operating in New York, click here.

The best way to identify which CDFI would be a good lending partner for your business is to be clear on the demographic make-up of your ownership team: Are you a minority and/or woman-owned business? Are you geographically located in a historically underserved community? If so, there are CDFIs whose mission is to fund businesses just like yours.

Most CDFIs also provide technical assistance training in financial literacy, business financing, capacity building and other areas that will give you great guidance on how to build a strong structure for your business.

For example, BKLVLUP has partnered with TruFund to provide trainings on how to improve your personal credit to build business capital and their loan product that helps you build small business wealth through commercial real estate ownership:

Click the image for the zoom replay

Click the image for the presentation deck
Loan Type 4:

**Alternative Lending**: These are lenders that are typically online-based, private companies that work like a bank but are not traditional banks or credit unions. They offer a wide range of products such as term loans, business lines of credit, invoice financing, and equipment financing, etc.

**Pros:**
- Typically speedy, flexible and accessible (can even approve/deny within minutes)
- Less strict requirements or application processes
- Offer funding to a wider variety of small businesses
- Entire application process can be completed online
- Invest in businesses considered "too risky" by banks

**Cons:**
- Tend to have higher interest rates
- Fewer government regulated restrictions so you have to be more careful with whom you work
- Have to really know your numbers to find the best deal
- Need to be very careful to be sure the lender is reputable; rely on recommendations from trusted sources
### What's Available

**Alternative Lending**

There are various alternative loan product types such as:
- short-term loans
- business lines of credit
- equipment loans
- merchant cash advances
- invoice financing

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#### Alternative Lenders & Product Types

Some small businesses may choose this lending option because they can undertake riskier loans which lets them lend to recently formed businesses or to those with bad credit and are quicker to get to an approval or denial.

<table>
<thead>
<tr>
<th>Alternative Lender</th>
<th>Best Product</th>
<th>Minimum Requirements</th>
<th>Loan Term Length</th>
<th>Est. Interest Rate</th>
<th>Time to Fund</th>
<th>Max Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluevine</td>
<td>Best for a business line of credit</td>
<td>625 FICO Score 6 months in business $10,000 in monthly revenue</td>
<td>6 to 12 months</td>
<td>Starts at 6.2%</td>
<td>1 to 3 business days</td>
<td>$250,000</td>
</tr>
<tr>
<td>Fora Financial</td>
<td>Best for bad credit</td>
<td>500 FICO Score 6 months in business $12,000 a month in gross sales</td>
<td>Up to 15 months</td>
<td>Factor rates from 1.10 to 1.33</td>
<td>72 hours</td>
<td>$1.4M</td>
</tr>
<tr>
<td>Fundbox</td>
<td>Best for quick approvals</td>
<td>600 FICO Score 6 months in business $100,000 in annual revenue</td>
<td>12 to 24 weeks</td>
<td>4.66% for 12-weeks 8.99% for 24 weeks</td>
<td>Next business day</td>
<td>$150,000</td>
</tr>
<tr>
<td>Funding Circle</td>
<td>Best for affordable, fast long-term loans</td>
<td>620 FICO Score 2 years in business</td>
<td>6 months to 5 years</td>
<td>4.99% to 22.99%</td>
<td>As fast as 1 day; average of 5 days</td>
<td>$500,000</td>
</tr>
<tr>
<td>OnDeck</td>
<td>Best for short-term loans</td>
<td>625 FICO Score 12 months in business $100K in annual revenue</td>
<td>Up to 24 months</td>
<td>Starting at 29.9%</td>
<td>Soon as same day</td>
<td>$250,000</td>
</tr>
<tr>
<td>Taycor Financial</td>
<td>Best for equipment financing</td>
<td>550 FICO Score Less than 2 years in business No revenue restrictions</td>
<td>12 to 84 months</td>
<td>Starts at 1.49%</td>
<td>4 to 24 hours</td>
<td>$2M</td>
</tr>
</tbody>
</table>

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Loan Type 5:

**Business Credit Cards**: Once you formally establish your business, get an EIN number and business bank account, consider getting a business credit card as one of your next steps.

**Pros**:
- Ideal for business owners with limited operating history
- Business credit cards can help build your business credit score
- Business credit cards can offer rewards on travel, dining and gas purchases
- Can streamline employee spending

**Cons**:
- You may have to provide a personal guarantee when your business does not have much history
- Requires disciplined management of accumulated debt
- Can have an affect on your personal credit score
- Steep interest charges especially if you keep revolving credit
How to Build Business Credit Quickly in 5 Steps:

Step 1: Choose the Right Business Structure

Step 2: Obtain a Federal Tax ID Number (EIN)

Step 3: Open a Business Bank Account

Step 4: Establish Credit with Vendors/Suppliers Who Report Payment History to Credit Reporting Agencies

Step 5: Monitor Your Business Credit Reports

Business Credit Cards

This can be one of the best ways to build business credit so long as you pay off the debt in full each month or keep the balance low (less than 30% of your available credit) and make regular, on-time payments.

1. To truly take advantage of business credit, it is best to be formally incorporated as either an LLC, LLP or a corporation because of the separation between you personally and your business entity.

   As a sole proprietor, there is no legal or financial separation between yourself and your business. That means that when you get credit or apply for it, it will be reflected on your personal credit reports. Click here for an SBA guide on how to select the best entity formation type for your business.

2. Get a D-U-N-S-Number: This is your "business identifier" with the business credit reporting agency Dun & Bradstreet. It’s free to obtain one.

3. Get an EIN Number: This is your business' "social security number" that you obtain from the IRS. Make sure to discuss this with your trusted team of advisors first (your lawyer and accountant in particular).

4. Nav.com can help you establish business credit lines with at least 2 to 3 companies that report your business payment history to credit reporting agencies such as:
   - Suppliers and vendors: Here are 21 Easy Approval Net-30 Accounts
   - Business loans and financing: Here are Small Business Loan Matches
   - Credit builder accounts
   - Business credit cards: Here are available business credit cards

5. For this strategy to work, you have to keep paying on time and monitor your credit. Stay on top of your spending and don’t overextend yourself. This is where your reporting systems matter...what gets measured gets managed.
Equity: Investor Model

When you sell a percentage of an ownership interest ("stake") in your business in return for a cash investment

Repayment terms can be negotiated with the investor(s)
Investor(s) can bring valuable assets like experience, expertise, mentorship and other connections
Typically don't have to pay back equity financing unlike debt financing
Friends and family could become equity investors (could become a negative though)

Pros:

Cons:

Usually your business has to have proven success already
Investor(s) are hard to find
Because investor(s) own a percentage of your business, they may want to be (heavily) involved in your business decision-making such as becoming board members or managers
Can cost more than your average loan
Dividend payments and income can have tax implications
# Equity Investment:

**Investor Model:** Equity capital is generally made up of money raised by a business in exchange for ownership interests. That interest can be in the form of common or preferred stock or other instruments that can be converted into stock.

Equity investors are typically people looking for early-stage companies that are not seasoned enough to get traditional financing. On average, equity investors are looking for 30 - 40 percent returns on their investment and a clear strategy to realize that return within 3 - 7 years.

## 3 Types:

<table>
<thead>
<tr>
<th>Angel Investors</th>
<th>Venture Capitalists</th>
<th>Strategic Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Typically friends and family of the founder(s)</td>
<td>- Typically professional investment firms investing on behalf of pension funds or other wealthy individuals</td>
<td>- Similar to the venture capitalist scenario</td>
</tr>
<tr>
<td>- Usually an individual or group of individuals using their own personal money</td>
<td>- Looking for startup ventures that will grow quickly with long-term growth potential</td>
<td>- Their investments are &quot;strategic&quot; such as providing technology or financial investments for targeted purposes</td>
</tr>
<tr>
<td>- Can be ex-entrepreneurs, business lenders or wealthy individuals</td>
<td>- Usually offer more capital than angel investors (above $1M)</td>
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</tr>
<tr>
<td>- Usually will invest without a structured timetable or a need to control business decisions</td>
<td>- Usually require seats on the start-up's board and even the ability to replace the entrepreneur as CEO if they lose faith in their ability to deliver the returns</td>
<td></td>
</tr>
<tr>
<td>- Usually offer less capital than venture capitalists (under $1M)</td>
<td>- Usually very connected with other resources you may need</td>
<td></td>
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<tr>
<td>- Check out AngelList for angel investors</td>
<td>- Stay tuned underrepresented tech start-up founders...WEnyc will be launching WE Fund Venture</td>
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</tbody>
</table>

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**Extra Credit:**

- Founder(s) who keep 15-25% ownership after funding are considered a success
- Always try to negotiate the right to get more investors later when contracting with your business' first set of equity investors.

**Dilution:** Every time founders seek funding in exchange for ownership they are diluting their interests.
what attracts equity?

Typical Company Characteristics

- **Industry**: Companies that are high-growth with a chance for a high rate of return
- **Clear Exit Strategy**: Companies that can show strong potential to grow to reach initial public offering (IPO) stage, private placement, acquisition or mergers with other company ("liquidity events") which allow angel investors or venture capitalists to exit with a windfall within a 3-7 year window.
- **Financial Return**: Companies that can show profit margins of more than 50 percent.

what's equity require?

Information Needed to Sell Your Idea

- **Oral Presentation**: Present your business concept and what will yield a high return in a no more than 2 minute initial "pitch" and then in further rounds a 5-10 minute presentation
- **Business Plan**: Present an investor-focused business plan that is current in terms of market or business model changes
- **Due Diligence**: Prepare for investor due-diligence analysis. Investors will look to see if the assumptions and projections in your business plan hold true and probe for any liabilities legally or in your financial statements or taxes. They will review your licenses, technology, patents, etc. As always, now is the time to lean on your trusted advisors such as lawyers and accountants to make it through the gauntlet.
Grants: Types and What's Available

Money that either some level of government (local, state or federal) or other organization gives you or your business for a particular purpose that you do not have to pay back.

Pros:

- Who doesn't love money that you don't have to repay?
- Typically the grantor does not get involved in your business decisions except to be sure that you spent the grant according to its requirements

Cons:

- There may be tax implications that have to be reported by receiving the grant
- You will most likely have limitations/restrictions on how the grant can be used
- Eligibility requirements in the application may be difficult to meet
- You may have after-the-fact reporting to do that can be time-consuming and hard
Free Money: Hard Work

Most grants are for non-profit businesses. However, there are some grants available to support small for-profit businesses especially if your business is owned by members of historically underserved communities or your business involves new technology, inventions or products.

Prepare an Organizational Grant Narrative:

- Write down your business’ origin story. What circumstances made you decide to start this business? What is/are the demographic background of the founder(s) and how does that play a role in the vision and mission of your business?
- What products and/or services do you offer that would appeal to the granting institution?
- Does your business serve a historically underserved community?
- What is the measure of your social impact and what methods do you use to track it?
- Make sure you can show some statistics to back your statements.

Remember to Answer these Questions before Applying:

- Do I meet the grant eligibility requirements?
- How much time will it take for me to do the research and complete the application compared to award amount? Is this a good use of my time?
- Is this restricted or unrestricted funding? What exactly am I allowed to use this funding on?
- Am I prepared to do the reporting (in terms of time and scope) that the grant funder may require to show what I did with the funding my business received?
What's Available

Grants

Once you create a standing grant narrative that describes how your business started, who you are and your vision, you can rinse, recycle and repeat for other grant applications. As always, your systems and reporting will save you time and aggravation and get you to the dollars.

**sbir.gov**
(Small Business Innovation Research (SBIR) and Small Business technology Transfer (STTR) grants are one of the few government grants available to for-profit businesses. However, your business has to be related to scientific innovation or technological advances)

**helloalice.com**
(this funding resource site has grants, loan and business credit opportunities you can apply for. It also has an extensive business resource center and community to which you can subscribe)

**citizensnyc.org**
(neighborhood business grants program prioritizes small for-profit businesses owned by people of color, immigrants and women. You can win a grant of up to $10,000. You just have to be nyc-based)

**citizensnyc.org**
(community leader (all in neighborhood) grants award micro-grants up to $3,000 to community building projects carried out by resident-led groups or nonprofit organizations whether they are 501c3 organizations or not. You just have to be nyc-based)

**galaxyofstars.org**
(has grants for small businesses owned by any and all women of color)

**blackambitionprize.com**
(funds bold ideas and companies led by black and latinx entrepreneurs)

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What's Available

Grants

Signing up for newsletters is half the battle. The more you know what is in the funding pipeline, the better prepared you will be to secure the bag. Sign up for BEnyc (NYC's Black Entrepreneurship Resource) and WEnyc (NYC's Women's Entrepreneurship Resource) for starters.

#knowledgeispowerand$
Summary

1. There are many loan, equity investment and grant opportunities available to sustain and grow your business.

2. To take advantage you need to have your documents and reporting prepared and ready to go.

3. Brooklyn Level Up’s BKLVLUP Entrepreneurship Collective is here to help you get prepared and to put you in touch with partner organizations that will get you the resources you need: bklvlup.org