



Need Capital?

BiggsKofford's Entrepreneurial Series

Overview

- ▶ It's not you. It's your bank.
- ▶ Who are capital sources?
- ▶ Evaluate your deal
- ▶ How to position yourself
- ▶ How can BiggsKofford Help?
- ▶ Q&A



Its not you its your bank

- ▶ Banks are focused on their balance sheets
- ▶ Best customers are the easiest ones to restructure
- ▶ Could become a self fulfilling prophecy
- ▶ 2 approaches:
 - ▶ Some banks are ejecting all customer loans
 - ▶ Others are being very selective based on industry exposure and client ability to refi



Its not you its your bank

▶ Example (before):

Item	Total \$'s	Risk Weight	Risk Weighted \$'s
Cash	100	0%	0
Mortgage Loans	50	50%	25
Business Loans	300	75%	225
Other Assets	20	100%	20
Total	470		270
Equity	15		15
Capitalization %			5.55%



Its not you its your bank

▶ Example (after):

Item	Total \$'s	Risk Weight	Risk Weighted \$'s
Cash	260	0%	0
Mortgage Loans	50	50%	25
Business Loans	140	75%	105
Other Assets	20	100%	20
Total	470		150
Equity	15		15
Capitalization %			10.0%



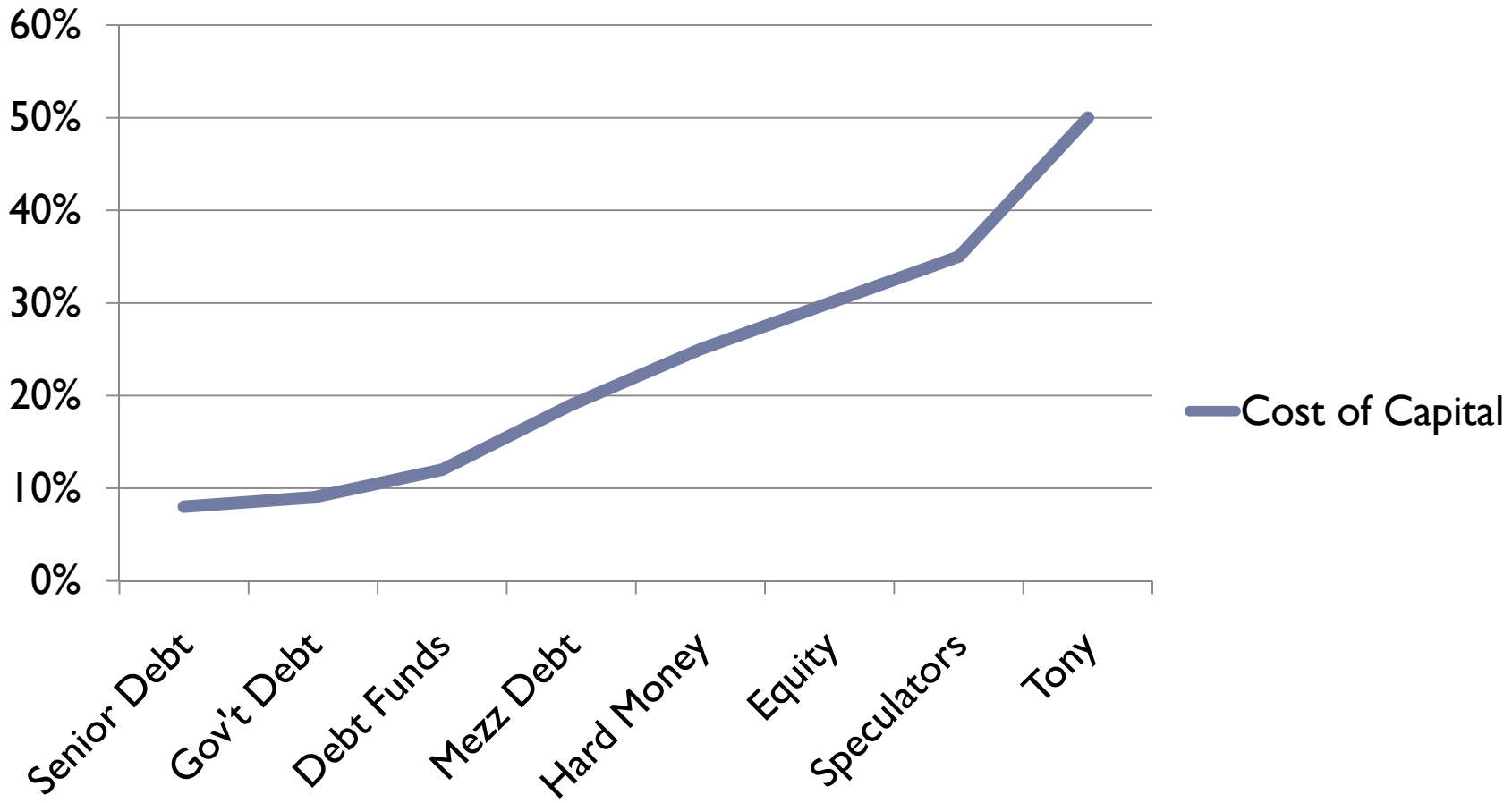
Who are Capital Sources

- ▶ Senior Lenders (Banks/Credit Unions)
- ▶ Government Agencies – SBA, HUD
- ▶ Finance Groups – Sale/Lease Backs, Debt funds, ABLs
- ▶ Mezzanine Lenders
- ▶ Hard Money
- ▶ Equity Partners
- ▶ Private Investors/Speculators
- ▶ Tony the Knee Breaker



Cost of Capital by Source

Cost of Capital



Evaluating your deal

- ▶ **Look at the 5 Cs of credit**
 - ▶ Character – credit score!
 - ▶ Cash Flow – What can you realistically fund, any seasonality?
 - ▶ Collateral – What type of asset(s) do you have? (Grade/ Use)
 - ▶ Conditions – external (what is your industry) and internal (covenants)?
 - ▶ Capital – What is your LTV, any sources of new capital?



The Credit Box Matrix

Source	Cash Flow	Collateral	Conditions	Capital	Deal Size
Senior	Low	Great	High	High	All
Gov't	Low	Good	High	High	Varies
Debt Funds	Low-Mid	V. Good	High	High – Low	\$2m +
Mezz	Mid	V. Good	High – Mid	Mid	\$5m +
Hard Money	Mid-High	Great	Mid	High – Mid	\$200k +
Equity	High	V. Good	Mid	Mid – Low	\$500k +
Speculator	High	V. Good	Low	Low	\$200k- \$10m
Tony	Very High	Good	Low	Low	\$100k - \$2m



How to Position Yourself

- ▶ 1 – Understand the main financial components of your current situation:
 - ▶ Cash Flow
 - ▶ Asset Value
 - ▶ Debt Level
 - ▶ ROI to lender
- ▶ 2 – Determine likely replacement of existing notes and their required ROI (perform credit box analysis)
- ▶ 3 – Back fill the deal to make it appealing, including:
 - ▶ Injecting more equity in the deal
 - ▶ Alternating cash flow over time to get to required ROI
 - ▶ Discounting existing notes



How to Position Yourself

- ▶ 4 – Create a package for appropriate capital source, including:
 - ▶ Summary of deal & assets
 - ▶ Financial presentation to demonstrate credit box requirements (cash flow, ROI, etc.)
 - ▶ Highlight reasons to do the deal
 - ▶ Document responses to expected concerns



How can BiggsKofford help

- ▶ 1 – Assess your current position and provide insight on options
- ▶ 2 – Access to capital sources
- ▶ 3 – Creation of Presentation Materials and Financial Analysis
- ▶ 4 – Shopping the deal
- ▶ 5 – Negotiate with current lenders

