



# StartUp Mendocino

**BUSINESS ACCELERATOR**

2024

Unlocking Capital: Strategies for Successful  
Financing and Growth





# INTRODUCTION

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- Director of Client Services, Nonprofit
  - Owner/President, Gourmet Mustard Company
  - General Manager, Wildcrafted Edible Seaweed Business
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- 
- MBA, St. Mary's College of California
  - BA History, University of California Berkeley



# Session Overview

- Importance of a Business Plan
- Minimum Viable Product
- Mission & Vision Statements
- Key Business Plan Elements
- 5 C's of Credit
- Sources of Funding
  - From the Business, Owner Investment/Friends & Family, Traditional Lending, Crowdfunding, Crowdfunding, Crowdlending, Bridge Financing, Crowdlending/Charitable, Line of Credit, Grants
- Conclusion & Key Takeaways

# Importance of a Business Plan

- **Helps Develop Your Strategy**
  - A structured framework from which you can analyze your business. Forces you to choose what you are going to do and what you are not going to do.
- **Assess the Competition**
  - Helps clearly define the competition and determine what they are failing to deliver. Leads to competitive advantage.
- **Develop Milestones**
  - What is measured is what gets done. Keep yourself on track.
- **Mitigate Risk & Secure Financing**
  - It's your \$, do you want to lose it? Won't ensure success but may minimize failure.
  - Who's going to believe you without knowing your assumptions?

# Minimum Viable Product (MVP)

- Coined by Frank Robinson and popularized by Eric Reis in his book *The Lean Startup*.
- Frank: “It is big enough to cause adoption, satisfaction and sales, but not so big as to be bloated and risky.”
- Mechanism for discovering what will meet the customer need.
- Allows you to launch, test, and refine – all with low-risk, low investment.
  - Real world examples: Amazon (online bookstore), Groupon (WordPress Blog to sell t-shirts), and Facebook (online directory for Harvard students).
- Suggest prioritizing lines of business for which no or little investment is required and considering those with highest infrastructure and operating cost last.



# Vision Statement



- **Vision Statement**
  - Ideal description of the organization and where it wants to be in the years to come and reflects values and aspirations of the organization.
  - Messages to the company employees and outside world why the organization exists and what it aspires to become.
- **Real World Examples**
  - To be the most innovative customer-centric diversified technology company in the world. (3M)
  - To make the automobile accessible to every American. (Henry Ford)
  - Provide the world's best customer experience every day. (American Express)

# Mission Statement



- **Mission Statement** (Part of your elevator pitch & Bus. Plan)
  - A Mission Statement is a definition of the company's business, who it serves, what it does, its objectives, and its approach to reaching those objectives.
- **Real World Examples**
  - Provide exceptional vacation experiences, delivered by passionate team members committed to world-class hospitality and innovation. (Norwegian Cruise Lines)
  - To inspire, educate and outfit for a lifetime of outdoor adventure and stewardship. (Recreational Equipment Incorporated)
  - To offer designer eyewear at a revolutionary price while leading the way for socially conscious businesses. (Warby Parker)
  - To promote entrepreneurship, small business growth and the U.S. economy by providing the critical funding, oversight and support needed by the nationwide network of Small Business Development Centers. (SBDC)

# Key Elements of A Business Plan

- **Executive Summary (Best Written Last)**
  - Make it easy for reader to digest and understand your company and the overall business idea
  - Summarize, don't repeat, the key elements of the business plan
  - Include Mission Statement
  - Funders may read this first, then skip to the financials.

Jackie's Lavender Farm's mission is to revolutionize the agritourism industry by offering a unique and immersive experience that seamlessly combines agriculture, tourism, and sustainable living. Our combination of tour packages, workshops, and accommodation has led to a 137% increase in overall revenue compared to last year, with a corresponding 34% increase in net income. The plan for 2024 is to double our accommodation capacity to meet the growing need and to increase number of workshops offered. New customers will be attracted to our Farm through our partnership with Farm Traveler Daily and continued work with key agritourism social media influencers. Jackie's Lavender Farm is seeking a 15-year loan in the amount of \$175,000 to build out 25 glamping sites, along with an open-air common area.



# Key Elements of A Business Plan

- **Company Description**

- Information about your business, goals and the target customers that you want to serve
- Explain how your company stands out – Competitive Advantage
- Include Business structure, Location, and Founded Date

Tim's Office Store delivers office supplies to small businesses in Concord, CA and was founded in 2012. The business is structured as an S-Corp, operating under the direction Tim Smith and Jane Smith. Tim's Office Store recognizes the busy lives of small business owners and delivers essential items like printers, cash registers, paper, ink, and desks to their doorsteps. Unlike other office supply stores, Tim's Office Store provides same day service and installation. It's our goal to be the premier, full-service office supply store in the East Bay.

# Key Elements of A Business Plan

- **Problem and Solution**

- Problem – Pressing need or desire that you can meet. What is the customer asking for and why are they asking for it, helps one understand customer motivation. (Demand)
- Solution – How do you help them meet their need. (Product or Service)

- **Target Market**

- Who are they? Demographic profile of age, income, gender, etc.
- How many of them are out there? Market size and growth trends.
- Where are they? Geographic density and location.
- What do they like? Market tastes and trends.
- How do they buy? Frequency of purchase, cash, online, in advance, etc.
- *Sources of research: U.S. Census Bureau, Trade Associations, Company Press Releases, Google Trends, Market Research Reports, SBDC's (Vertical IQ), Local Librarian, etc.*

# Key Elements of A Business Plan

- **Competition (Identify & Study)**
  - Learn about their strengths and weaknesses. Develop your own strengths (Competitive Advantage) and learn from their failures.
  - Select the correct competitors to analyze.
    - Usually, those closest to you in nature
    - Discover what they have failed to provide or who they have failed to serve
    - Explain how will you be different than your competition

Company Name	Website	Service 1	Price	Service 2	Price	Service 3	Price	Strengths	Weakness
Competitor 1		Yes	\$50	Yes	\$65	Yes	\$45	Good Reputation	Low Capacity
Competitor 2		Yes	\$75	Yes	\$85	No	-	Long Standing	High Prices
Competitor 3		No	-	No	-	Yes	\$35	Good Location	Small Offering
Your Business		Yes	\$50	Yes	\$65	Yes	\$30	Family Friendly	High Capacity

# Key Elements of A Business Plan

- **Marketing Strategy (Discovering You Exist)**
  - Signage, Social Media, Radio, Website, Google Ads, Etc. Influencer Marketing, Word-of-Mouth, Search Engine Optimization, Emails, Billboards, Magazine Ads, Radio, Business Placement, Website, Etc.
- **Sales Strategy (Closing the Sale)**
  - Choice of Payment Acceptance, Staffing Choices, Price Points, Loyalty Programs, Refund Policy, Etc.
  - Where will you exchange money for good & services?
    - Retail, Online, Direct Sales, Wholesale, B2B, Distributors, In-Person, Farmer's Markets, Private Label, Etc.

# Key Elements of A Business Plan

- **Revenue & Expenses**
  - Revenue: Money that you earn and how you earn it
    - Amount of money will you get from each source
  - Expenses: Money spent to make endeavor work
    - Rent, utilities, marketing, sales, supplies, insurance coverage, equipment, new employees, etc.
- **Funding Sources**
  - Money needed to get your new business line started and the source of funds
- **Key Employees**
  - What is their experience and background that furthers the cause

# Key Elements of A Business Plan

- **Partners**
  - Describe key vendors, consultants, mentors, SBDC or WBC, all those who can help you along the journey
- **Milestones**
  - When to open, when to promote, when is the first sale projected, and when will you reach breakeven
- **Financials & Projections**
  - Balance Sheet
  - Cash Flow Statement
  - Income Statement

# P&L Forecast

## Fake Company

## P&L Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2024
<b>Revenue</b>													
Product/Service #1	15,000	15,000	15,000	14,000	14,000	12,000	12,000	12,000	16,000	25,000	30,000	25,000	205,000
Product/Service #2	0	0	0	0	0	0	0	0	0	3,000	3,000	3,000	9,000
Product/Service #3	0	0	0	0	0	2,500	2,500	2,500	0	0	0	0	7,500
Other Income Sources	750	750	750	750	750	750	750	750	750	750	750	750	9,000
<b>Total Revenue</b>	<b>15,750</b>	<b>15,750</b>	<b>15,750</b>	<b>14,750</b>	<b>14,750</b>	<b>15,250</b>	<b>15,250</b>	<b>15,250</b>	<b>16,750</b>	<b>28,750</b>	<b>33,750</b>	<b>28,750</b>	<b>230,500</b>
<b>Cost of Goods Sold</b>													
Product/Service #1	3,750	3,750	3,750	3,500	3,500	3,000	3,000	3,000	4,000	6,250	7,500	6,250	51,250
Product/Service #2	0	0	0	0	0	0	0	0	0	750	750	750	2,250
Product/Service #3	0	0	0	0	0	875	875	875	0	0	0	0	2,625
Salaries (Direct)	2,363	2,363	2,363	2,213	2,213	2,288	2,288	2,288	2,513	3,738	4,388	3,738	32,750
Other Direct Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total COGS</b>	<b>6,113</b>	<b>6,113</b>	<b>6,113</b>	<b>5,713</b>	<b>5,713</b>	<b>6,163</b>	<b>6,163</b>	<b>6,163</b>	<b>6,513</b>	<b>10,738</b>	<b>12,638</b>	<b>10,738</b>	<b>88,875</b>
<b>Gross Profit</b>	<b>9,638</b>	<b>9,638</b>	<b>9,638</b>	<b>9,038</b>	<b>9,038</b>	<b>9,088</b>	<b>9,088</b>	<b>9,088</b>	<b>10,238</b>	<b>18,013</b>	<b>21,113</b>	<b>18,013</b>	<b>141,625</b>
<b>Expenses</b>													
Advertising and Promotion	150	150	150	150	750	750	750	750	150	150	150	150	4,200
Automobile/Transportation	225	225	225	225	225	225	225	225	225	225	225	225	2,700
Bad Debts/Losses and Thefts	50	50	50	50	50	50	50	50	50	50	50	50	600
Bank Service Charges	45	45	45	45	45	45	45	45	45	45	45	45	540
Business Licenses and Permits	0	0	500	0	0	0	0	0	0	0	0	0	500
Computer and Internet	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Dues and Subscriptions	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	275	275	275	275	275	275	275	275	275	275	275	275	3,300
Meals and Entertainment	0	0	0	0	0	0	0	0	0	0	0	0	0
Merchant Account Fees	450	450	450	420	420	360	360	360	480	750	900	750	6,150
Miscellaneous Expense	175	175	175	175	175	175	175	175	175	175	175	175	2,100
Office Supplies	40	40	40	40	40	40	40	40	40	40	40	40	480
Payroll Processing	75	75	75	75	75	75	75	75	75	75	75	75	900
Postage and Delivery	25	25	25	25	25	25	25	25	25	25	25	25	300
Printing and Reproduction	50	50	50	50	50	50	50	50	50	50	50	50	600
Professional Services	0	0	0	1,250	0	0	0	0	0	0	0	0	1,250
Rental Payments	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Salaries (Indirect)	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000
Payroll Taxes and Benefits-Indirect	213	213	213	213	213	213	213	213	213	213	213	213	2,550
Telephone	175	175	175	175	175	175	175	175	175	175	175	175	2,100
Utilities	165	165	165	165	165	165	165	165	165	165	165	165	1,980
Website Development	0	0	0	0	1,200	0	0	0	0	0	0	0	1,200
<b>Total Expenses</b>	<b>8,413</b>	<b>8,413</b>	<b>8,913</b>	<b>9,633</b>	<b>10,183</b>	<b>8,923</b>	<b>8,923</b>	<b>8,923</b>	<b>8,443</b>	<b>8,713</b>	<b>8,863</b>	<b>8,713</b>	<b>107,050</b>
<b>EBIT</b>	<b>1,225</b>	<b>1,225</b>	<b>725</b>	<b>-595</b>	<b>-1,145</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>1,795</b>	<b>9,300</b>	<b>12,250</b>	<b>9,300</b>	<b>34,575</b>
Total income taxes and other taxes	595	595	595	555	555	575	575	575	635	1,115	1,315	1,115	8,800
<b>NET INCOME</b>	<b>630</b>	<b>630</b>	<b>130</b>	<b>-1,150</b>	<b>-1,700</b>	<b>-410</b>	<b>-410</b>	<b>-410</b>	<b>1,160</b>	<b>8,185</b>	<b>10,935</b>	<b>8,185</b>	<b>25,775</b>
NET INCOME %													11.18%

# Key Elements of A Business Plan - One Page

- **Appendix**
  - Resume, Credit Score & Credit History
  - Specific Licenses and Certifications
  - Patents & Copyright Materials
  - Executed Contracts
  - Lease Agreements



## 5 C's of Credit – Think Like A Lender

- **Character** (Education, Business Background, Credit Score-Joe Rodolla, Staff Experience)
- **Capacity** (Debt/Income Ratio <36% , Revenue, Expenses, Cash Flow and Repayment Timing)
- **Conditions** (Economic Conditions, Market Good – Porter's 5 Forces)
- **Capital** (Down Payment: 5%-30%)
- **Collateral** (What Gets Sold After Default)

# From the Business

- **From the Business**
  - Find prepay clients/methods
  - Reduce expenses – shop around
  - Focus on collections – purge/address late paying clients
  - Solicit payment terms from suppliers/contractors

# Owner Investment/Friends & Family

- **Owner Investment**
  - Use your own funds to invest
  - No external conditions
  - Loan money to the business
- **Friends & Family**
  - Suggest a formalized arrangement and repayment schedule

# Traditional Lending - Referral Process

There are two types of borrowers and based on their business status they may/may not be referred to Creser Capital Fund

## DO NOT REFER

- WANTS TO START A BUSINESS
- HAS A BUSINESS/NO TAX RETURNS/NO BANK ACCOUNT/NO CREDIT REPORT
- HAS A BUSINESS NO CURRENT INFORMATION AVAILABLE MAY OR MAY NOT HAVE A PHYSICAL LOCATION
- HAS A BUSINESS WITH NO FOOD CERT, INSURANCE, PERMITS, ETC.
- OWNS A BUSINESS/BUSINESS UNDER A DIFFERENT PERSON'S NAME
- HAS A BUSINESS THAT HAS NOT FILED RETURNS AND OR OWES MONEY TO THE IRS.
- HAS A BUSINESS AND NEEDS A MENTOR OR COUNSELOR

## MAY REFER

- NEW BUSINESS/USED PERSONAL FUNDS TO START/SHORT FUNDS TO CONTINUE
- ESTABLISHED BUSINESS/NEEDS TO PURCHASE EQUIPMENT AND/OR GET/MOVE TO A NEW PHYSICAL LOCATION
- ESTABLISHED BUSINESS NEW CONTRACT/ REQUIRES INVENTORY AND/OR VEHICLE TO FILL CONTRACT
- ESTABLISHED BUSINESS WITH SEVERAL PARTNERS/BUY-OUT PARTNER (S)
- ESTABLISHED BUSINESS WITH CREDIT ISSUES
- ESTABLISHED BUSINESS FOR ALL COUNTY RESIDENTS REGARDLESS OF ETHNICITY
- ESTABLISHED BUSINESS OWNER. THE APPLICANT'S NAME MUST BE IN ALL LEGAL BUSINESS/ENTITIES DOCUMENTS

Source: Creser Capital

# Traditional Lending

Current	Lends to Start Ups	Cash Flow Lender	Mission Based Lender	Depository Lender	SBA 7(a)	SBA 504	Lends to Nonprofits	Serves All	Offers Technical Assistance	Offers Disaster Relief	Spanish Speaking Loan Officers	Loan Minimum	Loan Maximum
AEDC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	No	\$ 10,000	\$ 250,000
EDFC	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	\$ 5,000	\$ 250,000
Creser Capital	No	No	Yes	No	No	No	No	Yes	No	No	Yes	\$ 1,000	\$ 50,000
Redwood Credit Union	No	No	No	Yes	Yes	Yes	Yes	No	No	No	No	\$ 5,000	\$ 4,000,000
Savings Bank of Mendocino	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No	No	Yes	???	???
Tri Counties Bank	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	None	\$ 50,000,000
Umpqua Bank	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	???	???
Vocality Community Credit Union	No	Yes	No	Yes	No	No	Yes	No	No	No	Yes	???	???
<i>SBA 7(a) - Up to \$5MM</i>	<i>Acquiring, refinancing, or improving real estate and buildings, working capital, refinancing current business debt, purchasing and installation of machinery. Purchasing furniture, fixtures, and supplies. Changes of ownership.</i>												
<i>SBA 504 - Up to \$5MM</i>	<i>The purchase of construction of existing buildings or land, new facilities, long-term machinery and equipment with a useful remaining life of 10 years minimum. Improvement or modernization of land, streets, utilities, parking lots and landscaping,</i>												

# Traditional Lending

- **SBA 7(a) & 504**

- SBA does not lend directly, think about the SBA as insurance on your loan, making lenders more likely to take risks they might not take without the SBA guarantee.
- Prepare to have good credit, cash flow, and a strong balance sheet with 2 years of business history.



Source: sba.gov

# Traditional Lending

## What is a 7(a) loan?

The 7(a) Loan Program, SBA's primary business loan program, provides loan guaranties to lenders that allow them to provide financial help for small businesses with special requirements. 7(a) loans can be used for:

- Acquiring, refinancing, or improving real estate and buildings
- Short- and long-term working capital
- Refinancing current business debt
- Purchasing and installation of machinery and equipment, including AI-related expenses
- Purchasing furniture, fixtures, and supplies
- Changes of ownership (complete or partial)
- Multiple purpose loans, including any of the above

The maximum loan amount for a 7(a) loan is \$5 million. Key eligibility factors are based on what the business does to receive its income, its credit history, and where the business operates. Your lender will help you figure out which type of loan is best suited for your needs.

# Traditional Lending

## What is the 504 loan program?

The 504 loan program provides long-term, fixed rate financing for major fixed assets that promote business growth and job creation.

504 loans are available through Certified Development Companies (CDCs), SBA's community-based partners who regulate nonprofits and promote economic development within their communities. CDCs are certified and regulated by SBA.

The maximum loan amount for a 504 loan is \$5.5 million. For certain energy projects, the borrower can receive a 504 loan for up to \$5.5 million per project, for up to three projects not to exceed \$16.5 million total.

A 504 loan **can** be used for a range of assets that promote business growth and job creation. These include the purchase or construction of:

- Existing buildings or land
- New facilities
- Long-term machinery and equipment with a useful remaining life of a minimum of 10 years, including project-related AI-supported equipment or machinery for manufacturing products

Or the improvement or modernization of:

- Land, streets, utilities, parking lots and landscaping
- Existing facilities

Source: [sba.gov](https://www.sba.gov)



# Crowdfunding

- **Rewards Based**
  - Target goal and duration.
  - Must reach goal, all or nothing model, but keep money raised over goal.
  - 5% fee + processing fees 3%-5%.
  - Some reward to crowdfunders, like early version of the product.
  - No equity shared, and able to test and validate market.
  - Read their online handbooks if interested.
  - Baqi Kopelman – West Advisor may help.
  - Think Kickstarter and Indiegogo.

# Crowdfunding

- **Crowdfunding or Equity Crowdfunding**
  - Platform generally takes 3% equity in the company.
  - Security-based (public shares) 7-13% commission paid to platform.
  - Regulated, Financial Industry Regulatory Authority (FINRA) approved. SEC filings available and show type of contract.
  - Usually raise more money than other crowdfunding.
  - Think StartEngine & Wefunder.

# Crowdlending

- **Loans from a crowd**
  - 2+ years in business, 660+ Credit Score, \$50,000+ Revenue
  - Fast process, but wide range of interest rates – 4.49 to 10.49%.
  - No prepayment penalties, but 5% late fees.
  - Generally, \$25,000 to \$500,000.
  - All digital process. Algorithm decides interest rate, largely based on credit score.
  - Fixed interest rate.
  - Think Funding Circle and Prosper.

# Bridge Financing

- **Bridge Financing**
  - Solid company short on cash – short term funding.
  - Accounts receivable financing.
  - Fund specific projects or overcome government payment cycle.
  - Think Marble Bridge Funding.
- **Merchant Cash Advance/Fintech**
  - Easy to apply, money delivered quickly.
  - 625 credit score, over \$100,000 revenue.
  - **Beware - Very high interest rates 39.8% to 77.9% APR.**
  - Not a loan, it's an advance against future sales.
  - Think On Deck and Bluevine.

# Crowdlending/Charitable

- **Charitable Crowdfunding/Lending**
  - Need compelling story, but better if you have fair to poor credit.
  - Kiva - up to \$15,000 w/o interest, up to 36 months to repay.
  - Raise some funds from your own circles before campaign begins.
  - Think GofundMe or Kiva.

# Loan Success Rates



## Bankrate tip

By far, MCAs have one of the highest approval rates compared to other business loans. Check out business loan approval rates, according to the Federal Reserve Banks' [2023 Report of Employer](#)

### [Firms:](#)

- MCAs: 90%
- Equipment loans: 87%
- Business line of credit: 76%
- Business loan: 66%
- SBA loan or line of credit: 64%

Source: bankrate.com

# Line of Credit

- **Flexible Loan**

- Allows you to borrow when needed.
- Set credit limit.
- Pay interest only when you borrow.
- 6% to 60% interest rates.
- Tied heavily to credit score (typically 660+ to apply).
- Secured and unsecured. May have personal guarantee.

# Grants

- **Grants**
  - Mostly dried up. Nice to have, but unlikely.
  - <https://www.grants.gov/>
  - <https://www.grantwatch.com/grants-for-small-business>
  - <https://www.opengrants.io/>
  - <https://www.goodfarmfund.org/farm-grant-program/>
  - <https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index>



# Conclusion & Key Takeaways

- The activity of writing the Business Plan can be as important as the Business Plan itself. Planning doesn't stop failure, but it helps minimize risk.
- When thinking about a new line of business, consider the Minimum Viable Product when deciding what to offer.
  - Learn from mistakes, pivoting and making changes along the way.
- Refine and memorize your Mission Statement and make it part of your elevator pitch.
- Design a self-funding business, take debt on carefully.
- Consider mission-based lenders and depository lenders.
- Beware of lenders focusing on ease, and speed.

THANK YOU FOR BEING PART  
OF



# StartUp Mendocino

**BUSINESS ACCELERATOR**

# 2024



[WESTCENTER.ORG/STARTUP-MENDO](https://westcenter.org/startup-mendo)