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Funding Sources

by Bertrand R. Bolduc

Whether you are an existing small business owner in need of capital for expansion, an entrepreneur just starting up a new business venture, or someone who has fallen on troubled times, there are a number of sources available to you to secure short-term and/or long-term funding to support your financial needs. These sources vary in terms of paperwork, references, timeframes, waiting periods and dollar limits; therefore, care should be exercised in the selection and application process that best meets your individual needs. The following sources are not all inclusive nor are they listed in any particular order:

- **Family/Friends**

One of the easiest ways to obtain funding may be via friends, family and/or business associates who are familiar with you, your character/integrity, and your ability to repay a loan. They can act as an advisory counsel or a board of directors. The down side is that family/friends don't often mix well with business; if anything doesn't go well, long-term relationships may be severed at the expense of the business.

- **Banks/Credit Unions**

Banks/Credit Unions will often base loans on character/integrity, collateral, credit score, cash flow, personal guarantee and a viable Business Plan. If you've established a relationship with a particular bank, then by all means, you should pursue that avenue and nurture that relationship. Banks fall into the category from large (a la TD Banknorth) to community savings (such as Norway or Gorham Savings Bank) and even to credit unions that have commercial lending services. If you lack collateral or your credit score is low, you may have someone co-sign your loan request as long as they recognize that they are liable for the loan in the case of default. The obvious advantage of swinging a bank loan is that you are in control of your own destiny. You can always assemble a group of business individuals to act as an Advisory Council or Board of Directors who can provide guidance, oversight and business advice, but you retain the business decision process.

SCORE provides technical assistance to banks that offer Small Business Administration loan guarantees. These SBA guarantees run up to 85%; that reduces the risk to the bank. One such relationship is between SCORE and TD Banknorth. A contact with TD Banknorth is Marianne Byrne. She can be reached at 978-335-9855. She might help qualify an SBA loan process for a new business.

Credit Unions will normally loan only to existing businesses rather than start-ups, but it never hurts to ask. A couple potential contacts are:

1. Jerry Shaw, VP, Commercial Lending, Evergreen Credit Union, 222 Riverside Street, Portland, ME 04104; telephone 207-221-5000, extension 322
2. Richard Koch, VP, Commercial Lending, Atlantic Regional Federal Credit Union, 55 Cushing Street, Brunswick, ME 04011; telephone 207-725-8728

- **Equity Line of Credit**

If you have collateral today, such as a home, and you have equity in that home, an equity line of credit may also be a good source of funding. Since it's tied to your home, the interest may be deductible. It is relatively easy access without a lot of paperwork. The rate is variable based upon the prime rate and adjusts monthly. The advantage to this loan is that although approved for a fixed amount, you only withdraw what you need when you need it.

- **Small Business Administration (SBA) Community Express Loan Program**
Superior Financial Group is one of 13 federally licensed and self funded SBA lenders. They offer small business owners or start-up businesses the ability to apply for loans from \$5,000 - \$25,000 on an unsecured basis. Loan approvals are usually obtained within 72 hours of application; funds are wired to a business checking account within 2 weeks of approval. Current rates are prime + 4.5% in addition to an application fee of \$450 - \$550. Technical assistance is provided by SCORE. For additional info, reference www.strategiesforsmallbusiness.com or contact Sue Malone, 442 Diablo Road, Suite 137, Danville, CA 94526; telephone: 925-899-8449 or 925-381-8409; fax: 925-831-3217; email: smalone165@aol.com

- **Interim/Bridge Financing**
The Interface Financial Group (www.interfacefinancial.com/tpl) provides working capital and short-term cash flow assistance for businesses. Rates may tend to be higher than conventional bank loans, but the process may be faster and the duration of the loan shorter. Visit above website or contact Timothy and Linda Roach, PO Box 191, Morrill, ME 04952; telephone: 207-342-2631; fax: 207-342-2692; E-mail: tjroach@interfacefinancial.com

- **Venture Capitalists/Private Investors**
Venture capitalists are good; they have the funds, the interest, the business background and they can provide advice and counsel. However, there may be a down side. They often look for young businesses that have a track record (at least 3 years); that is, businesses that have a competitive product and proven demand. After all, they want a return on their investment (normally in excess of 10% annually), and since their money is at stake, they can at times offer more advice than you want. They can end up acting like your "boss", or give you the feeling that "big brother" is looking over you. Venture capitalists may also have interests in businesses that are profitable but lack the funds to take their business to the next level or expand to other markets (products, services and/or territories). In any case, here are some you can look at:
 1. **(MIX) Maine Investment Exchange**, 120 Exchange Street, Portland, ME 04101; Telephone 207-871-0234. They require an application process (with a non-refundable fee of \$250) and a presentation. Their web-site is self-explanatory and you can decide whether they can offer support: www.appme.org/economic/mix.asp, or www.maineeco.org/Maine_Investment_Exchange.php (The above address has an underscore within the name as follows: Maine_Investment_Exchange)

 2. **Maine Angels**, Maine Angel Investor Group
Maine Angels may also be limited to "young" businesses rather than "start-up" businesses. A member of the Maine Angels you can contact for additional info is Christopher Speh, 207-767-2035 or speh2005@yahoo.com (personal e-mail) or maineangelsorg@yahoo.com (business e-mail). The Angels Network website is: www.fundingpost.com/angelgroup/angel-group-profile.asp?fund=86

 3. **CEI (Coastal Enterprises, Inc.)**
CEI has a venture capital investment group that is run by Matt Henshaw. Matt is located at CEI on Commercial Street in Portland. He is also on the Board of Directors of the Maine Investment Exchange (MIX). He may be a good resource to contact to discuss both CEI requirements and MIX interests. You can reach him at 207-772-5356.

 4. **Private Investors**
Another option that has been used by SCORE clients has been to seek out personal references from family and friends for parties interested in making personal investments in start up companies. This may require personal research and cold calls but may produce the right kind of match between two parties that offer a benefit to all concerned.

- **Owner Financing**
For those individuals interested in business ownership and a preference to purchase an already existing business, owner financing may be an option. This process may facilitate and/or expedite the sell/buy process; the owner may choose to stay available to provide a successful transition; and the rates may be negotiable to the benefit of both parties. Legal review of any contract, agreement and/or loan terms and conditions may be appropriate for the protection of both parties.
- **Franchising**
Much like the above on Owner Financing, some individuals may wish to purchase an existing franchise operation. In this case, individuals should explore all opportunities from franchise owners to provide loan options for the purchase of a given franchise.
- **Online Money Lending & Borrowing Communities**
There are a number of on-line sites beginning to proliferate the Internet with lenders offering available funds and/or borrowers requesting loans. Here are a couple of such sites. Both of these generate a pool of resources with money to invest and a pool of resources in need of funds. On an individual basis, contact is established, credit scores/history determined, and interest negotiated.
www.prosper.com
www.lendingclub.com
- **Maine Grants/Awards/Interim Financing**
Maine Technology Institute offers programs for research and development financing. These fall into several categories such as: Seed Grants from \$1,000 to \$12,500 to help fund small, early-stage R&D projects leading to commercialization; Development Awards from \$12,500 to \$500,000 for comprehensive, later-stage R&D activities; Accelerated Commercialization to bridge financing between R&D and sales; and others than advance the generation of high quality jobs across Maine via new products, services and processes. To determine eligibility, reference www.mainetechnology.org to obtain details of these programs funded by the state of Maine.

Regardless of your particular situation and your need for financial assistance, it is in your best interest to be prepared before pursuing contact with any of the above noted funding sources. At minimum, you should prepare a solid Business Plan (strategy, target market, competitive assessment, products and/or services you plan to market, and supporting financial statements such as pro-forma profit & loss, income, and cash flow). You should review your credit history and determine how your credit score may help or hinder your ability to obtain funding, as well as assessing any collateral you can offer as back up to your loan request.

You don't have to "go-it-alone" in this process. SCORE (Counselors to America's Small Businesses) is a non-profit organization that helps prepare individuals in the pursuit of entrepreneurial and small business ownership. For a nominal fee, SCORE offers workshops in Starting Your Own Business, Buying Your Own Business, Writing A Business Plan, Sales & Marketing, in addition to Web-Based programs on Developing A Web Site for Marketing and/or E-Commerce via the Web. Visit www.scoremaine.com for information on available workshops, schedules and on-line registration for the SCORE Portland ME chapter. In addition, SCORE counselors are available to provide free advice and counsel on any business related topic. Again, visit www.scoremaine.com to sign up for telephone, on-line and/or face-to-face counseling. In addition, the national SCORE organization also offers valuable business articles, tutorials and a broader base of on-line counseling. You can visit them at www.score.org.

SCORE welcomes the opportunity to work with you to achieve your goals.

(Mr. Bolduc has 32+ years of management experience for a global Fortune 500 company, President & CEO of small Maine manufacturing businesses, private small business consulting, in addition to serving SCORE as a counselor to small businesses. Mr. Bolduc is currently Vice-Chair, SCORE Portland Chapter 53.)