

...the deals that make a difference

BAN Workshop Resource Guide: *Funding Your St. Louis Start-Up* 2011

Jerome Katz, Director
Billiken Angels Network
John Cook School of Business
Saint Louis University
3674 Lindell Blvd.
St. Louis MO 63108
314-977-3850
katzja@slu.edu

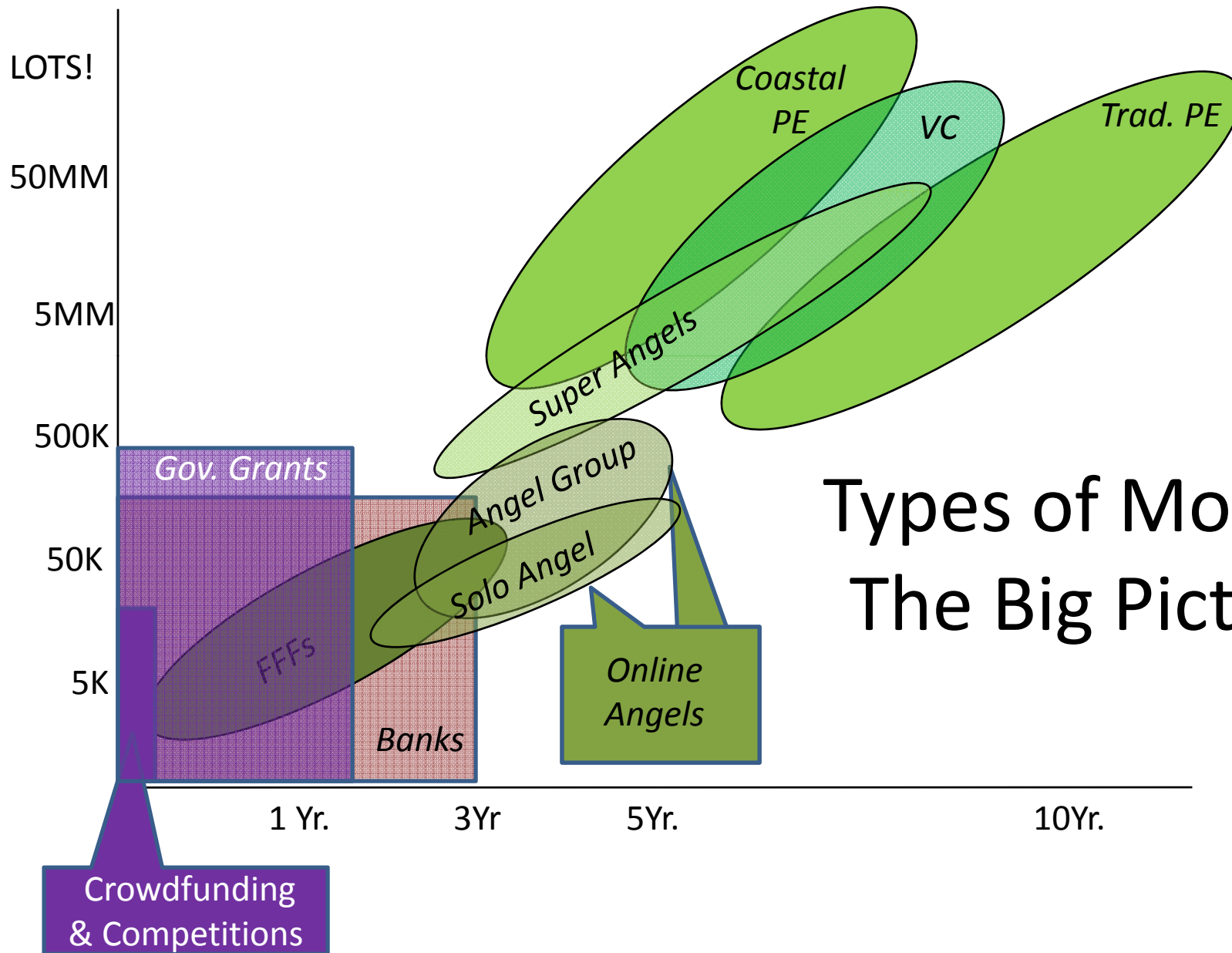


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Guide To Funding

	Pre-Seed	Seed	Start-Up	Growth	Exit
Equity	Self-fund (1) FFF (2) Angels (3) Pre-Seed Funds (4)	Self-Fund FFF Angels Seed Funds (5)	Self-Fund FFF Angels Seed Funds	Self-Fund Angels SBICs VCs/PEs (6) Corp. Partn.	Angels VCs/PEs Corp. Partn. ESOP IPO
Debt	Self-Fund FFF	Self-Fund FFF	Self-Fund FFF Crowdfund (7) Govt. Loans	Self-Fund Banks SBICs Crowdfund Govt. Loans (8)	X
Gifts	FFF Govt. Grants (9) Competitions (10)	FFF Govt. Grants Competitions Crowdfund	FFF Govt. Grants Competitions Crowdfund	(Kiva – SocV Crowdfund)	X

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Types of Money: The Big Picture

Self-Financing:

Have you tried these?

- Basics: Savings, credit cards, mortgage
- Bootstrapped: Made do, repurposed, did small, found freebies, use cheap alternatives, borrow > rent > buy/lease used > buy/lease new
- Bartered: trade skills, work, loan-outs (spouse & kids too, not just you)
- Pushed FFF: Advice, mentors, followers, potential customers, suppliers
- Created buzz

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(2a)

FFF: The 5 Types of Personal Gifts

- Cash (direct to you, paid on your behalf, etc.)
- Discounts (letting you piggyback on a deal...)
- Freebies (free use of something or someone)
- Sweetheart Deals (overpayment, 1st choice...)
- Loan Forgiveness (from debt to gift)

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FFF: Making Personal Gifts Work ^(2b)

- Gifts always cost time, usually cost aggravation, and sometimes even money
- Gifts work best when *leveraged*
- Most start-ups depend on gifts, but don't notice them
- Restate them as “in-kind payments” to realize their value
- Get it in writing, e.g. a promissory note, see:
<http://www.inc.com/guides/2010/10/how-to-write-a-promissory-note.html>

Finding Solo Angels

- 2 Types: Accredited & Everyday
- Accredited angel are worth more than \$1M
 - Professionals, wealthy families, more established
 - Think your church, schools, network from work
- Everyday angels are people like you
 - Friends, family, people in your neighborhood who might be willing to take a chance

Pre-Seed Funds Available Locally

- *Funds to test for preliminary feasibility (product development, patents, initial market,...)*
 - Billiken Angels Network (BAN) www.billikenangels.com
 - Biogenerator Spark Fund
<http://www.biogenerator.org/sparkfund/index.shtml>
 - Lightbank.com (Chicago)
 - Missouri TechLaunch
http://www.missouritechnology.com/commercialization_programs/missouri_techlaunch/
 - Small Business Innovation Research Program (SBIR) and Small Business Technology Transfer Program (STTR)
http://www.missouribusiness.net/fast/about_sbir.asp

Seed/Start-Up Funds

- *Seed Funds used to prepare for subsequent major funding (typically VC or major corporation)*
- Start-Up Funds get firm to first sales
- Local Seed & Start-Up Funds
 - Billiken Angels Network (BAN): www.billikenangels.com
 - Arch Angels: <http://stlouisarchangels.angelgroups.net/>
 - Biogenerator: <http://www.biogenerator.org/seedfund/index.shtml>
 - Seed Capital Co-Investment Program- matches funds from a private seed fund
 - http://www.missouritechnology.com/commercialization_programs/seed_capital_coinvestment/
 - Centennial Angels: <http://centennialinvestors.com/>

Seed/Start-Up Funds

- Regional/National
 - ECS Angels
 - <http://www.ecs-angels.com/>
 - Investors' Circle
 - <http://www.investorscircle.net/>
 - Lightbank.com
 - Midwest Venture Alliance <http://www.midwestventure.com/>
 - www.Gobignetwork.com
 - www.Fundingpost.com
 - www.FundingUniverse.com
 - www.Angelsoft.net

Growth Funds With Exits: STL VC/PE Firms & Their Specialties

Biomed/LifeSci Focus

- HealthCare Ventures, LLC
 - <http://www.hcven.com>
- Oakwood Medical Investors
 - <http://www.oakwoodmedical.com>
- Prolog Ventures
 - <http://www.prologventures.com/>
- RiverVest Venture Partners
 - <http://www.rivervest.com/home.aspx?id=200>
- Triathlon Medical Ventures
 - <http://www.tmvp.com/index.html>

General Focus

- Open Prairie Ventures
 - multi-industry VC
 - <http://www.openprairie.com>
- St. Louis Business Development Fund
 - <http://www.slcec.com/st-louis-venture-capital-funds.html>
- Stifel, Nicolaus & Co.
 - multi-industry PE
 - <http://www2.stifel.com>

What is Crowdfunding?

- The general term for using the Web to bring together folks willing to fund others. This can be done in several ways:
 - People giving money to projects they like (Gifts)
 - People loaning money to entrepreneurs (Debt)
 - People online investing money in businesses (Equity)

Well-Known Crowdfunding Sites

- Non-Equity “Investments” (aka Gifts)
 - Kickstarter.com, RocketHub.com, IndieGoGo.com
- P2P Lending (Microfinance w/debt & donation)
 - Kiva.org, Accionusa.org (donate, or lend via Kiva)
- P2P Lending (Classic Debt & Investment)
 - Prosper.com, LendingClub.com
- Online Angels
 - Gobignetwork, Fundingpost, FundingUniverse, Angelsoft,

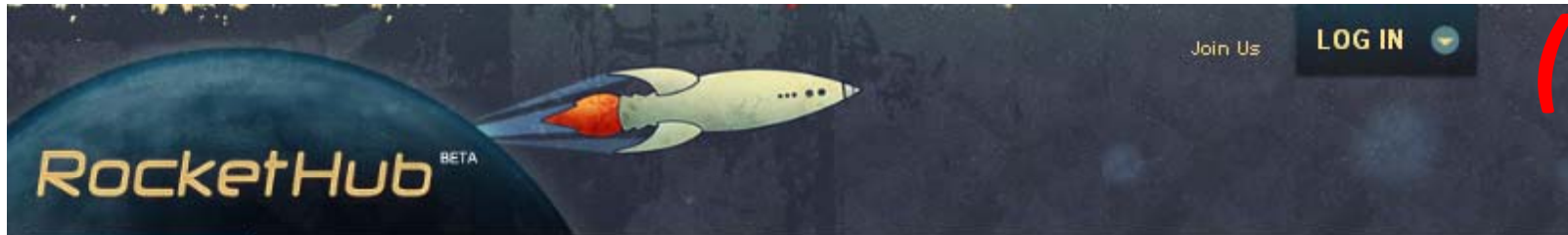


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What Crowdfunding Looks Like





Join Us

LOG IN

(7d)

RocketHub

PROJECTS > OPEN SOURCE

OPEN SOURCE

Started by Andrew Russell
December 21st, 2010



ExEn: XNA for iPhone, Android and Silverlight

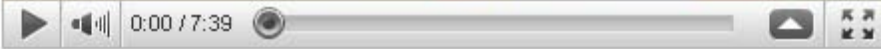
Project Description

About Me

Recent Conversations

Project Blog

ExEn: XNA for iPhone, Android and Silverlight - ...



OPEN SOURCE

ExEn: XNA for iPhone, Android and Silverlight
[Ingenious](#) [Inspirational](#) [Authentic](#)

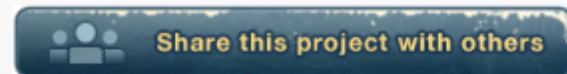
Like 63

The best indie game development platform is about to get a whole lot better!



Project Updates and Info:

- Example Game: [Light Blocks](#)

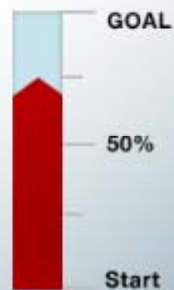


\$10,000

Campaign Goal

\$7,013

Raised So Far (71%)



Support Status

39

Fuelers



Time Remaining

39

Contributors

43

Days

ExEn's Pitch @ Rockethub.com

- ExEn: XNA for iPhone/Android (on Rockethub)
- \$10K goal over 90 days
- @ day 43, \$7013 raised
- 8 Reward levels
 - \$20 → Name listed in source code (13 takers)
 - \$200 → 1 yr. Personal email support (0 takers)
 - \$1000 → 3 mo. Email support to port an XNA game to all ExEn platforms (1 taker)

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Anatomy of a Crowdfund “Ask”

The screenshot shows a crowdfunding page for 'ExEn: XNA for iPhone, Android and Silverlight'. At the top left, there is a blue 'OPEN SOURCE' badge. To the right, it says 'Started by Andrew Russell' and 'December 21st, 2010' next to a logo featuring a colorful Greek letter alpha. The main title is in red: 'ExEn: XNA for iPhone, Android and Silverlight'. Below the title is a navigation bar with four tabs: 'Project Description', 'About Me', 'Recent Conversations', and 'Project Blog'. The main content area features a video pitch with a man speaking. To the left of the video, the text 'XNA' is written vertically, followed by a list of platforms: 'Windows', 'Xbox 360', and 'Windows Phone'. Two grey arrows point from the right towards the page: the top arrow points to the navigation tabs and is labeled 'Project, You, Conversations, Blog'; the bottom arrow points to the video and is labeled 'Video Pitch'.

- *What's missing? A business plan!*

SBA & Money

- *There are NO SBA grants!*
- SBA guarantees loans (<75%) given by banks to qualifying small businesses rejected by banks
 - 7(a)- loans provided to start-up or growing businesses with special requirements
 - Can be used for real estate, equipment, purchase of another business, and working capital
 - 504 loans (long-term fixed assets: real estate or major machinery)
 - Microloans (coming up!)

Specialized SBA 7a Loans

- Exporting: Export Express, Export Working Cap.
- Neg. Trade Impacts: Int'l. Trade Loans, CAIP Loans
- Group Specific Loans: Minority and women-owned businesses, Patriot loans (Mil/vet owned businesses)
- Eco-friendly/sustainable development- Pollution Control loans
- Industry specific (e.g. agriculture, manufacturing, etc)

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SBA Loans by Bank – Fiscal 2010

Lender	Amount	Number of Loans
Commerce Bank	\$9.3 million	42
Bizcapital Bidco	\$5.9 million	4
US Bank	\$5.2 million	57
Live Oak Banking	\$4 million	3
Wells Fargo Bank	\$2.6 million	11
St. Louis Bank	\$2.5 million	9
Regions Bank	\$2.3 million	7
First Missouri Bank	\$2 million	1
Bank of Springfield (IL)	\$1.9 million	2
Bank of Belton	\$1.9 million	2

Source: Small Business Administration, St. Louis office



SBA Microloans

- Smaller, short-term loans used for equipment, supplies, or day-to-day expenses
- SBA- up to \$50,000 (previously \$35,000)
 - average loan: \$13,000
- Other lenders- up to \$35,000 per business
- MO Lenders: Justine Petersen Housing & Reinvestment Corp, Enterprise Development Corp. (Columbia), Rural Missouri, Inc. (Jeff City)
- <http://www.sba.gov/content/microloan-program>

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Other Local Small Business Loans

- BOOST- 504 loans for businesses based in or expanding into St. Louis County
- Bioscience Industrial Expansion- up to \$500,000 for businesses in or improving bioscience
- Missouri Small Business Loan Program- loans up to \$50,000
- Missouri Linked Deposit Program
- Accion USA- private firm, loans up to \$50,000
- Urban Enterprise loan- business must be within St. Louis or Kansas City. \$10,000-\$100,000.
- Illinois Department of Commerce Participation Loan Program
- RMI- 504 loans, loan program for rural areas, and Small Business Investment Fund



Special Case: STL Development Corporation “investments”

- St. Louis Business Development Fund
 - Invests without taking shares in the company
 - \$500,000 to \$1 million provided for growth or acquisition
 - Must be a local, established company
 - Any industry allowed
 - Borrower pays back principal plus interest 3-4% over prime over 60 months, in addition to initial fee
 - Must pay a “risk premium” of 10-15% of investment if overdue on payments
- <http://www.slbdf.com/index.html>

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Business Loans for Low Income ^(8g) Neighborhoods

- SBA Programs: Community Advantage, Community Express, Rural Lender Advantage
- STL Community Development Credit Unions
 - St. Margaret's CU
 - Choices FCU
- STL Community Development Partners
 - Anheuser-Busch Employees' CU
 - Vantage CU



Programs for Non-Profits

- First Children's Finance (Minneapolis)–
Community facility loans
- IFF (Chicago) – Real estate & equipment financing
- Justine Petersen Housing and Reinvestment Corporation (STL) – loans
- www.opportunityfinance.net/industry/industry_locator.asp
- Also see Crowdfunding Sources

Govt. Gifts: Federal Research Grants

- SB Innovation Research / SB Tech Transfer
 - Three Phases build on each other
 - Phase 1 (\$150K, 6 mo., 20% hit rate)
 - Money for research & feasibility , not for the business
 - Phase II (\$500K, 40%)
 - Outside pPartner funding encouraged
 - Phase III (\$1MM, 50%)
 - Outside partner funding strongly encouraged
- <http://www.win-sbir.com/library/overview.html>
- www.sbir.gov, www.grants.gov

Govt. Gifts: National Tax Credits

- The IRS lists 31 categories of credits at:
<http://www.irs.gov/publications/p334/ch04.html>
- Two types
 - Nonrefundable Credits (e.g. electric vehicle, lifetime learning) – can get your taxes down to zero
 - Refundable Credits (e.g. payments to foreign corps.) – could get you a tax refund
- Energy savings (e.g. car)
- Job creation
- Providing childcare
- Increasing R&D
- Locating in an empowerment zone
- Making certain types of investment

Finding Government Money

- US Government Money Finder
 - <http://search.business.gov/startLoans.html>
- The Source for Government Grants
 - www.grants.gov
- The Source for Government Loans
 - www.govloans.gov

State Gifts: Grants & Credits

- Action Fund Loans: City applies on behalf of a start-up
- Certified Capital Co. (CAPCOs) : Invest in MO firms
- Enhanced Enterprise Zone credits: 3 around STL
- MO Export Finance Program
 - Providing working capital, insurance, loan guarantees
- MO Quality Jobs Program (10 or more jobs)
- 47 more (not all SB ones) at
- <http://www.missouridevelopment.org/topnavpages/research%20toolbox/BCS%20Programs.html>

Other MO-IL Sources

- Missouri Catalog of State Assistance Programs
 - <http://www.mo.gov/mo/pdf/MoCSAP.pdf>
- Missouri Small Business Development Centers
 - <http://www.missouribusiness.net/sbtdc/index.asp>
- Illinois Grants, Loans & Incentives
 - <http://www2.illinois.gov/Business/Pages/financetaxes.aspx>
- IL SBDCs
 - <http://www.commerce.state.il.us/dceo/Bureaus/Entrepreneurship+and+Small+Business/>

Gifts from Others: Competitions

- Local Business Plan competitions
 - St. Louis Regional Business Plan Competition
 - MADE in Missouri State Entrepreneurship Comp.
 - Show-Me Business Plan Competition
 - Jefferson City Area Chamber of Commerce Small Business Plan Competition
 - “You Plan It We Plant It” Business Plan Competition
 - University Competitions: SLU, WashU (Olin Cup), UMKC

Gifts from Others: Competitions (2)

- National and International Business Plan Competitions
 - Cleantech Open National Competition
 - Rice Business Plan Competition
 - Venture Labs Investment Competition
 - Stuart Clark Investment Competition
 - Global Social Venture Competition
 - Venture Challenge
- www.bizplancompetitions.com

Other Competitions

- Small Business Award Programs
 - <http://smallbiztechnology.com/archive/2011/01/2011-small-business-contests-a.html>
- Student/Young Entrepreneur Competitions
 - www.gsea.org
 - *BusinessWeek* Best Young Entrepreneurs