



ENTREPRENEUR CURRICULUM

Session 6

For more information, visit
www.whcusa.com or email
Will Holmes at will@whcusa.com



GRADUATION REQUIREMENTS SCORE CARD

Y

Weekly Sessions with Facilitator: 7

Y

Sessions with Law Mentor: 2

Y

Sessions with HR Mentor: 2

Y

Sessions with Accounting Mentor: 2

Y

Homework Assignments Completed: 6

Y

Cash Flow Tool Presented in Week 6

Y

Practice Presentation in Week 7

Y

Final Presentation in Week 8

Bonus. Not required:

1 Session with Marketing Mentor

Extra Sessions with Facilitator as Needed



This Week

Session 6

Preparing for Capital & Essential Financial Documentation

During this 3-hour session, for the first half, the facilitator will lead an interactive discussion on the Participants' greatest challenges and how to address them with accessing capital from various sources and preparing the financial documentation and narratives necessary to attract funding. During the second half, we will have a panel discussion.

The final homework will be assigned to be submitted by our next session.



Agenda

Learning Session 6

Facilitator: Will Holmes



1

Welcome

2

Updates and Reminders

3

Presentation: Preparing for Capital and Essential Documentation

4

Panel Discussion

5

Final Presentation Format Discussion



The Loan Application Process

The common steps in a business loan application process are:

1. Determine your needs. How much money do you need to borrow? What will you use the loan for? How long will you need to repay the loan? Line of credit or term loan?
2. Review your credit score and history. Lenders will use your credit score and history to assess your creditworthiness and riskiness as a borrower. A good credit score and history will increase your chances of getting approved for a loan and getting a lower interest rate.
3. Research lenders and compare loan offers. There are many different types of lenders that offer business loans, each with its own requirements and terms. It's important to compare loan offers from multiple lenders to find the best deal for your needs.



The Loan Application Process

4. Gather your application materials. Most lenders will require you to provide a variety of documents to support your loan application, such as:

- Business plan
- Financial statements
- Tax returns
- Business licenses
- Personal financial statements

5. Submit your application. Once you've gathered all your application materials, you can submit your application to the lender of your choice. You can usually do this online, by phone, or in person.



INTRODUCE THE
COMPANY

PRODUCT/ SERVICE

TEAM

UNFAIR ADVANTAGE &
GROWTH STRATEGY

HOW MUCH DO YOU
NEED?/ WHAT IS THE
ASK?

THE BUSINESS PLAN

EXECUTIVE SUMMARY

**Complete your cash flow projections first!
Write the Executive Summary and Conclusion last.**

Briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location. You should also include financial information and high-level growth plans if you plan to ask for financing. This is where you ask for what you want from the reader!!! Write this last.

BE AWARE OF AUDIENCE AND VERSION! MAKE THIS EXCITING!



COMPANY DETAILS

THE PROBLEM YOU SOLVE

COMPETITIVE ADVANTAGE

STRENGTHS

COMPANY DESCRIPTION

Use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve.

Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store?

Your company description is the place to boast about your strengths.



MARKET RESEARCH & ANALYSIS

YOUR VALUE
PROPOSITION

INDUSTRY

TARGET MARKET

COMPETITION

YOUR ADVANTAGE

You'll need a good understanding of your industry outlook and target market. Competitive research will show you what other businesses are doing and what their strengths are. In your market research, look for trends and themes. What do successful competitors do? Why does it work? Can you do it better? Now's the time to answer these questions. Understand the costs associated with reaching your customers. Use Vertical IQ, census.gov, bls.gov...

Show that even with a conservative market share you can have a viable business because you are filling a need better than the competition.



What is market share?

Market share is the percentage of a market that a company or product controls.

It is calculated by dividing the company's sales by the total sales in the market. For example, if a company has sales of \$100 million and the total sales in the market are \$1 billion, then the company has a market share of 10%.

Or, it can be calculated as the percentage of the total population of businesses or people that the company sells to. For example, if there are 100,000 people that meet your target demographics and you sell to 4000 of them, your market share is 4%.

You should know what percentage of the market your sales projections are based.



SWOT ANALYSIS

STRENGTHS IN YOUR
BUSINESS

WEAKNESSES THAT YOU
RECOGNIZE & WILL
ADDRESS

OPPORTUNITIES IN THE
MARKET

THREATS TO YOUR
BUSINESS

LAWS/ REGULATIONS

SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats and is a structured planning method that evaluates those four elements of an organization, project or business venture. A SWOT analysis is a simple, but powerful, framework for leveraging the organization's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities.

Be honest and thorough! Don't leave out easy weaknesses that any reader can identify. Don't forget pandemics and pivots!



BUSINESS STRUCTURE

MANAGEMENT TEAM

LEGAL STRUCTURE

ORG CHART

WHAT'S SPECIAL?

ORGANIZATION & MANAGEMENT PLAN

Tell your reader how your company will be structured and who will run it. Describe the legal structure of your business. State whether you have or intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or limited liability company (LLC). Use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Understand the costs associated with having this team.

Consider including resumes and CVs of key members of your team in the appendix.



WHAT DO YOU SELL?

BENEFITS FOR
CUSTOMER?

INTELLECTUAL
PROPERTY

R&D

FUTURE GROWTH

SERVICE OR PRODUCT LINE

Describe what you sell or what service you offer. Explain how it benefits your customers and what the product lifecycle looks like. Share your plans for intellectual property, like copyright or patent filings. If you're doing research and development for your service or product, explain it in detail. Understand the associated costs and potential ROI.

This is a balance between how good it tastes and how efficiently you can make it. Profit margin per product or service is very important!



MARKETING & SALES

CUSTOMER NEED &
YOUR VALUE
PROPOSITION

MARKETING CHANNELS

CUSTOMER LIFECYCLE

METRICS

STRATEGY

PAST SUCCESSES

There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs. Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll refer to this section later when you make financial projections. Understand the associated costs.

Make sure to thoroughly describe your complete marketing and sales strategies and when the milestones will happen.



HOW MUCH DO YOU NEED?

WHAT IS THE ASK?

WHAT IS THE PURPOSE?

DEBT OR EQUITY?

FUTURE PLANS

FUNDING REQUEST

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for.

Specify whether you want debt (you'll pay back the loan) or equity (you're offering ownership), the terms you'd like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.

BE AWARE OF AUDIENCE AND VERSION!



STABLE

CONSERVATIVE MARKET
SHARE

CONSERVATIVE
GROWTH

DETAILED EXPENSES

MULTIPLE REVENUE
LINES & GREAT ROI

FINANCIAL PLAN AND PROJECTIONS

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now. Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections and match them to your funding requests.

This is a great place to use graphs and charts to tell the financial story of your business. Be aware of your audience and version.

We recommend starting with the cash flow projections when writing your plan.



PRODUCT/ SERVICE

TEAM

UNFAIR ADVANTAGE &
GROWTH STRATEGY

HOW MUCH DO YOU
NEED?/ WHAT IS THE
ASK?

GREAT INVESTMENT

SUMMARY/ CONCLUSION

Re-emphasize what your company is and why it will be successful. Re-emphasize your mission statement, your product or service, and extraordinary information about your company's leadership team, employees, and location. You should reference key trends and financial projections that show that this company is ready for a specific amount capital to do what is outlined in the plan.

BE AWARE OF AUDIENCE AND VERSION! MAKE THIS EXCITING SO PEOPLE/ INVESTORS/ LENDERS WANT TO GET INVOLVED!



APPENDIX

CREDIT HISTORIES

RESUMES

LETTERS OF REFERENCE

PAST CONTRACTS

LEGAL DOCUMENTS

SUPPORTING
FINANCIAL
DOCUMENTS

Use your appendix to provide supporting documents or other materials were specially requested.

Common items to include are profit loss, balance sheets, cash flow statements, credit histories, resumes, product pictures, letters of reference, licenses, permits, patents, legal documents, and other contracts.



PREPARING FOR CAPITAL

Topics



1

Understanding Your Value Proposition

2

Knowing Your Customer & Industry

3

What is Your Growth Strategy?

4

How Will You Pay Back the Money?

5

Building a Relationship With Funding Partners

6

Essential Documentation



Understanding Your Value Proposition



1

What benefits do your customers experience?

2

What differentiates your business?

3

Why do your customers choose you?

PREPARING FOR CAPITAL

Knowing Your Customer & Industry



- 1 Know your customer's buying patterns & history
- 2 How big is the market & what is your share?
- 3 What does your competition do well?
- 4 What do your sales projections say?
- 5 How is your industry trending?
- 6 What's next in your industry?



PREPARING FOR CAPITAL

What is Your Growth Strategy?



1

What are your 1, 3, 5-year projections?

2

How will this funding help you grow?

3

How much of your money will you invest?

4

What needs to happen for you to grow?

5

What are your assumptions?



PREPARING FOR CAPITAL

How Will You Pay Back the Money?



- 1 How much do you need & why?
- 2 When can you start paying it back?
- 3 How will you pay it back?
- 4 Payments? Long term (loan) or short term (credit line)?
- 5 Do you need investors, partners or lenders?
- 6 What's in it for them? ROI? Risk?



PREPARING FOR CAPITAL

Building a Relationship with Funding Partners



1

Which banks/ investors/ funders like your industry?

2

Meet with them to understand what they want.

3

Understand the checklist! (Tangible & Intangible)

4

Where are you now? What's missing?

5

Make a project plan for future meetings.



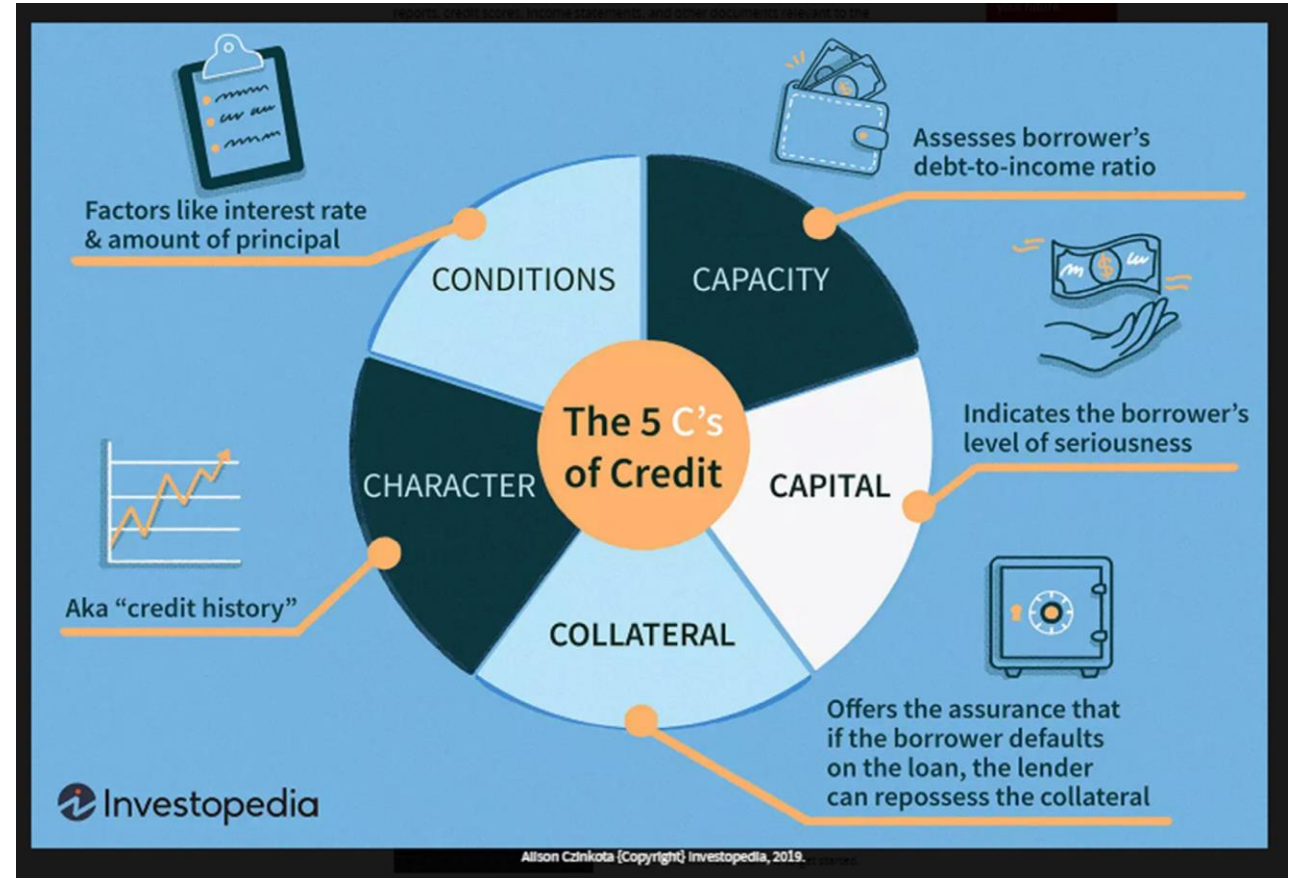
PREPARING FOR CAPITAL

Essential Documentation - The 5 Cs

Regardless of the type of financing needed, most banks or lending institutions will be interested in both your business and personal financials.

Great article on Investopedia:

<https://www.investopedia.com/terms/f/five-c-credit.asp>



Essential Documentation - The 5 Cs

1 The Five Cs of Credit: Character

Refers to credit history: a borrower's reputation or track record for repaying debts. This information appears on the borrower's credit reports. Generated by the three major credit bureaus—Experian, TransUnion, and Equifax—credit reports contain detailed information about how much an applicant has borrowed in the past and whether they have repaid loans on time.

These reports also contain information on collection accounts and bankruptcies, and they retain most information for seven to 10 years.

The general rule is the higher a borrower's credit scores, the higher the likelihood of receiving an approval. Lenders also regularly rely upon credit scores as a means for setting the rates and terms of loans. The result is often more attractive loan offers for borrowers who have good-to-excellent credit.



PREPARING FOR CAPITAL- (850 possible points)

1 **Payment history (35%) 297.5 points**

The first thing any lender wants to know is whether you've paid past credit accounts on time. This helps a lender figure out the amount of risk it will take on when extending credit. This is the most important factor in a FICO Score. Be sure to keep your accounts in good standing to build a healthy history.

2 **Amounts owed (30%) 255 points**

Having credit accounts and owing money on them does not necessarily mean you are a high-risk borrower with a low FICO Score. However, if you are using a lot of your available credit, this may indicate that you are overextended—and banks can interpret this to mean that you are at a higher risk of defaulting.

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

3 Length of credit history (15%) 127.5 points

In general, a longer credit history will increase your FICO Scores. However, even people who haven't been using credit for long may have high FICO Scores, depending on how the rest of their credit report looks. Your FICO Scores take into account:

*How long your credit accounts have been established, including the age of your oldest account, the age of your newest account and an average age of all your accounts

*How long specific credit accounts have been established

*How long it has been since you used certain accounts

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

4 Credit mix (10%) 85 points
FICO Scores will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Don't worry, it's not necessary to have one of each.

5 New credit (10%) 85 points
Research shows that opening several credit accounts in a short amount of time represents a greater risk—especially for people who don't have a long credit history. If you can avoid it, try not to open too many accounts too rapidly.

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

SIGN UP FOR THE CREDIT MONITORING SERVICES!

PERSONAL CREDIT

<https://www.equifax.com/personal/>
<https://www.transunion.com/>
<https://www.experian.com/>

BUSINESS CREDIT

<https://www.dnb.com/>
<https://www.nav.com/>



What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>

BUSINESS CREDIT SCORING MODELS USED BY LENDERS

FICO SBSS (Small Business Scoring Service): This is a proprietary scoring model developed by FICO specifically for small businesses. It has a scoring range of 0 to 300, with a higher score indicating a better creditworthiness.

Dun & Bradstreet Paydex score: This is a scoring model developed by Dun & Bradstreet that is based on a business's payment history. It has a scoring range of 1 to 999, with a higher score indicating a better creditworthiness.

Experian Business Credit Score: This is a scoring model developed by Experian that is based on a variety of factors, including payment history, credit utilization, and business size. It has a scoring range of 1 to 100, with a higher score indicating a better creditworthiness.

Equifax Business Credit Risk and Business Failure scores: These are two scoring models developed by Equifax that are based on a variety of factors, including payment history, credit utilization, and business size. The *Business Credit Risk* score has a scoring range of 1 to 100, with a higher score indicating a better creditworthiness. The *Business Failure* score has a scoring range of 1 to 1000, with higher score indicating a lower risk of business failure.



Essential Documentation - The 5 Cs

2 The Five Cs of Credit: Capacity

Measures the borrower's ability to repay a loan by comparing income against recurring debts and assessing the **borrower's debt-to-income (DTI) ratio**.

Lenders calculate DTI by **adding together a borrower's total monthly debt payments and dividing that by the borrower's gross monthly income**. The lower an applicant's DTI, the better the chance of qualifying for a new loan.

Every lender is different, but many lenders prefer an applicant's **DTI to be around 35% or less** before approving an application for new financing.



Essential Documentation - The 5 Cs

3 The Five Cs of Credit: Capital

Lenders also consider any capital the borrower puts toward a potential investment. **A large contribution by the borrower decreases the chance of default.**

Down payments **indicate the borrower's level of seriousness**, which can make lenders more comfortable in extending credit.



Essential Documentation - The 5 Cs

4 The Five Cs of Credit: Collateral

Collateral can help a borrower secure loans. It gives the lender the assurance that **if the borrower defaults on the loan, the lender can get something back by repossessing the collateral.**

Often, the collateral is the object one is borrowing the money for: Auto loans, for instance, are secured by cars, and mortgages are secured by homes. For this reason, **collateral-backed loans are sometimes referred to as secured loans or secured debt.**



Essential Documentation - The 5 Cs

5 The Five Cs of Credit: Conditions

The conditions of the loan, such as its **interest rate and amount of principal**, influence the lender's desire to finance the borrower.

Conditions can refer to **how a borrower intends to use the money**. Specific reasons are preferred by lenders.

Lenders also consider conditions that are outside of the borrower's control, such as **the state of the economy, industry trends, or pending legislative changes**.



Essential Documentation

- Business registration documents (whichever applies to your business)
 - Articles of Incorporation/ Organization or Bylaws and/ or Operating agreement or Partnership Agreement
- Complete Loan Application and Personal ID
- 2- 3 years of Personal Taxes
- 2- 3 years of Business Taxes
- 6 Months of Personal Bank statements (most recent checking, savings, etc.)
- 6 Months of Business Bank Statements (most recent .checking, savings, etc.)
- Business Plan (projections, market research, competitive analysis, as well as any documentation you may have now that shows the monthly business income, expenses and pricing model)
- Collateral information (Car that is paid off, make model, equipment, business assets, cash, co-signer, etc.)
- If you will be using a vehicle as collateral, a clean copy of the car title as well as proof of insurance.
- Summary of the use of funds
- Management Resume and occasionally P&L and Balance Sheets prepared by a CPA



Questions & Answers



For more information, visit www.whcusa.com or email Will Holmes at will@whcusa.com