

Getting Funded!

“It Takes Money to Make Money”

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Department of Commerce



MERIDIAN MANAGEMENT GROUP, INC.

*Manager of the Small Business Financing
Programs of the*

**Maryland Small Business
Development Financing Authority**



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My Objectives:

- To gain an understanding the variety of financing options available in the market place.
- To gain an understanding which financing option is appropriate for the company's particular financial needs.
- To stress the importance of having a proficiency financial and accounting infrastructure for financial reporting and forecasting, which is absolutely critical in making informed business decisions.
- To provide a helpful tool to strategically manage the company's cash flow.

What is MSBDFA?

- MSBDFA is an alternative Lender – providing affordable financing to assist to small, minority and women-owned businesses in Maryland.
- Created to help when banks and other traditional lenders are unable to do so.
- Only Maryland has such a comprehensive group of financings programs.



What MSBDFA has Accomplished

- Historically funded nearly 919 transactions, providing more than \$210 million in funding to more than 653 small businesses
- Over 10 years (2008 – 2017) financed 237 transactions totaling \$62.2 million – annually averaging:
 - ✓ 24 transactions totaling \$6.2 million;
 - ✓ \$262,500 per transaction
- Economic Impact (1995 – 2014):
 - \$7.7 billion in sales;
 - \$2.3 billion in personal income;
 - 3,820 full-time equivalent jobs on average per year;
 - \$276.8 million in state sales and personal income taxes;
 - \$66.1 million in local income tax revenue – a combined total of \$342.9 million.



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Program's Available

- Contract Financing
 - Loan Guarantees
 - Surety Bonding
 - Equity Financing
- ❖ Financing is available up to \$2 million.
 - ❖ Rates comparable to banks and sureties.
 - ❖ Financing Terms of up to 10 Years.
 - ❖ Use of more than one program is permitted.
 - ❖ Businesses can prequalify.



Types of Financing Products Offered

- Lines of Credit (Including Mobilization Funding)
- Term Loans
- Letters of Credit
- Bid, Payment and Performance Bonds
- Equity Investments
- Subordinated Debt with Equity Features



General Qualifications

- Company's principal place of business must be in Maryland.
- Company must be unable to obtain financing or bonding on reasonable terms from traditional lenders or commercial sureties.
- Principals and managers must have adequate experience in the industry in which the financing is being sought.
- Company and its principals must display a history of financial responsibility.
- Transaction must create a significant economic impact for the state in terms of jobs and tax revenue.



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General Permissible Uses of Proceeds

- Working Capital (Accounts Payable, Payroll, Materials and Other Operating Expenses)
- Machinery and Equipment
- Purchase of Real Estate (Must be Occupied by the Business seeking financing)
- Leasehold Improvements
- Business Acquisitions
- Refinancing of Existing Debt (No Distressed Debt)



Being Prepared to Apply

- Tell the **TRUTH**, the whole **TRUTH** and nothing but the **TRUTH!!!!**
- Be precise about your company's needs.
- Make the request before you need it. (Easier, less stressful)
- Submit commonly required documents and information (Next Slide)
- Pull your credit report/score before you apply (Provide explanation for any derogatory activity)
- Disclose any adverse business matters or legal issues (Even if only pending)
- Research current industry information



Required Documentation and Information

- Business Plan
- Resumes of Key Employees
- Credit Reports (Business and Personal)
- Financial Statements and Tax Returns
- Cash Flow Projections
- Other Financial Reports (i.e. A/R – A/P Agings)
- Key Man Life Insurance
- Working Capital Line of Credit (for Surety Bonds)
- Letters of Recommendation



Types of Collateral

- Lien on Business Assets (Accounts Receivable, Inventory, etc.)
- Assignment of contract proceeds (Primary source of repayment – not collateral)
- Personal Guarantee of principals with 20% or more ownership
- Deed of Trust on real estate (Business and Personal)
- Lien on other personal marketable securities
- Corporate Guarantee of other businesses owned by principals
- Keyman Life Insurance on principals



Impediments to Qualifying for Funding

- Lack of Experience
- Lack of Financial Capacity
- Less Than Favorable Credit History
- Poor Performance History
- Lack of Financial Information



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Applications and program summaries are available online at:
www.mmgcapitalgroup.com

