Three Basic Growth Financing Options for Business

You own a successful and profitable company that has reached the limits of its current stage and needs to attain the next level in order to grow. When planning the acquisition of growth capital for your business to fund the purchase of parts and materials, acquire assets such as equipment, machinery, aircraft and vehicles, open in another location, hire a new sales team, start a new marketing campaign or buyout a partner, the primary considerations should be the long term costs affecting the bottom line and how the type of funding will ultimately affect the decision making processes currently in place.

The three basic financing options for business owners are typically (1) bank debt financing, (2) private equity financing and (3) private debt financing. Although there are other options available such as merchant cash advances, accounts receivable financing and invoice factoring, they have been omitted as less desirable alternatives due to their inherently high costs and invasive structures.

(1) The first and least expensive option is obviously standard bank debt financing where the qualification process is daunting, tedious and time consuming and where the bank concentrates on your corporate and personal credit history (both better be perfect), and locks up (with UCC filings for liens and encumbrances) all of your corporate and personal assets in anticipation of foreclosing on them the minute you default. The qualification period is usually 90 to 120 days at which point you will find out that you have been declined along with 85% of all the other businesses that submitted for financing in the same time period. Fortunately, the banks are under new rules and regulations that limit their lending parameters (to only those submissions that can prove that they absolutely don't need the money) which prevents them from causing another financial crisis. Unfortunately, this results in the vast majority of businesses submitting for qualification to be turned down. The only good part is that if and when you did qualify and receive a loan, the bank does not involve itself in the day to day activities or decision making process of the business.

(2) The second and most expensive option is a private equity investment, where the qualification and due diligence process is also time consuming (90 to 120 days) and that's only if you are lucky enough to be chosen out of thousands of submissions. On the average, one out of 500 are looked at, only one out of 1000 are considered for funding, and only one out of 2000 actually see the money. On the chance that you are one of the chosen few (only because you have already proven the product in the market with very substantial sales, impressive marketing and have distribution in place) and make a deal with an equity firm by giving up a minimum of 20% ownership in the company for as little as $500,000 invested, you may regret making the deal when you finally realize what it actually cost. If you are under the impression that equity is the preferred option because there are no payments involved, think again, as equity investors almost always make their money at an exit event (the sale of the company or a buy out of the investment based on a company valuation) which typically occurs 3 to 5 years down the road. Equity investors want to get out as soon as possible because they typically aren't making a dime between the time they disburse funds and the exit event, therefore they look to make anywhere between 5 times and 10 times their original investment at the exit. Good advice is to buy them out as soon as possible because the company valuation will only get larger as sales grow and as a result, it will cost more to buy out the equity as time progresses. One of the main issues with an equity investment is the fact that when the exit event occurs, the cost to the company is disproportionate to the

investment amount. If the investment amount was originally $500,000 and the company valued at $10,000,000, a 20% buyout could be $2,000,000 at the end of a 3 year period, in a best case scenario. Finally, don't forget that the equity partner may not be satisfied with the management in place and may bring in a few of their own people to take part in the day to day activities of the business to make sure that their interests are looked after. Hopefully, the business won't be too successful or you may find yourself on the street after being forced out and replaced unwillingly, only to find that the company you labored to build is being sold to the highest bidder.

(3) The third and most practical option is private debt financing which comes in a variety of formats. What we consider to be one of the most workable formats is our RevCap Loan, an unsecured debt product which is based on the annual gross revenue of the company rather than credit history or assets. This is not to assume that credit and assets are not measured in the overall picture, but only that they are not primary considerations. The RevCap qualification process requires minimal documentation and typically takes less than 30 days from start to finish. In order to qualify, a company must have substantial existing sales (over $1,000,000 in annual gross revenue), proving over time that their product or service works in the current market, in addition to a strong management team currently in place that is capable of bringing the business to the next level. A RevCap Loan will allow the company to grow at a comfortable pace as the financing structure is very flexible regarding lending parameters and shares an alignment of interest to the success of the business in the long term, not just the next few years. When considering a RevCap Loan to provide growth capital, keep in mind that it will not be less expensive than bank financing, but will typically be less expensive than merchant cash advances, accounts receivable financing and invoice factoring, and when compared to an equity investment, it's an outright bargain. If you add the fact that a RevCap Loan is an unsecured debt product and there are no UCC filings for liens or encumbrances on personal or company assets, no requirements for a perfect credit history, no collateral requirements, no equity requirements and no lengthy qualification process, it becomes apparent that a RevCap Loan is the most viable, suitable and attainable option of the three.

For more detailed information on our RevCap Loan and to contact us to qualify your company, go to http://executivecapitalfinance.com to review, then click on the RevCap Loan tab at the top of the home page. We look forward to working with additional qualified small to mid-market US companies and providing them with the financing needed to grow their business. We have been successful in providing business owners with the acquisition, expansion and working capital required for their companies and would like the opportunity to deliver capital to yours.

EXECUTIVE CAPITAL FINANCE
ACQUISITION & EXPANSION CAPITAL FOR U.S. BUSINESS
Newtown, Connecticut 06470 www.executivecapitalfinance.com executivecapitalfinance@gmail.com