Obtaining Financing for Your Food Business: Lenders’ Perspectives

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The Profit Triangle

Benefit Creation

Profit

Competitive Advantage

Internal Operations
Every business has essentially three tasks:

- Production
- Marketing
- Financing and Financial Management
Financing: Finding Money You Need to Start Your Business

- There are different sources to help finance your business. It is important to explore your options before making a decision.

Some common sources for money are:
- Personal Savings
- Friends and Relatives
- Banks and Credit Unions
- Private Investors e.g. Crowd Sourcing
Business Plan

• Outline or scheme for the organization and use of the resources available to us to achieve our objectives.
Why Business Planning?

• Obtaining Financing e.g. banks.
• Can we produce to achieve our objectives?
• If not, what do we need?
• What kind of returns and costs do we have?
• How much risk and uncertainty are we willing to take?
Business Plan Components

• Business Concept
• Management Capabilities
• Corporate Structure
• Operational/Production Considerations
• Competitive Analysis
• Marketing Plan
• Financial Projections:
  – Sales Forecasts
  – Cost Assessment
• Capitalization Requirements
A Banker’s Perspective
(Casey Campbell, Wells Fargo Bank)

- Know Your Lender
- Down Payment (Equity)
- Borrower History - Operational
- Borrower History - Financial
  - Earnings
  - Net Income
  - Equity
  - Liquidity
A Banker’s Perspective
(Casey Campbell, Wells Fargo Bank)

- Paper Work Required
- Tax Returns
- Income Statement (Profit & Loss)
- Balance Sheet (Assets & Liabilities)
- Loan Application
- Realistic Pro Forma (Expected Income & Expenses after Loan)
- Loan Structure
Thank You!
Division of Economic Development Loan Programs

Michelle (Miki) Rodekohr
Loan/Collection Officer III
Available Loan Programs

- Rural Development Initiative Fund
- Small Business Economic Development Fund
- Alaska Microloan Revolving Loan Fund
- Alaska Capstone Avionics Loan Program
- Commercial Fishing Revolving Loan Fund
- Commercial Charter Fisheries Revolving Loan Fund
- Mariculture Revolving Loan Fund
- Alternative Energy Conservation Loan Fund
Rural Development Initiative Fund

Goal and Purpose

To provide private sector employment by financing the start-up and expansion of businesses that will create significant long-term employment.

To provide:
  – Working capital
  – Equipment
  – Construction
  – Other commercial purposes
General Requirements and Eligibility

Eligible Areas with a population of:

- 5,000 or less, not connected by road or rail to Anchorage or Fairbanks.
- 2,000 or less, connected by road or rail to Anchorage or Fairbanks.

Must create new jobs, or retain existing jobs.

Non-state funding must be part of total project cost.
Terms and Conditions

- Maximum term is 25 years
- $150,000 per person
- $300,000 for two or more people
- Interest rates fixed at the time of loan approval
- Adequately secured
- Fees: $100 application fee
  1% origination fee collected at closing
  Borrower responsible to pay all costs incurred
Small Business Economic Development

Goal and Purpose

To provide private sector employment by financing the start-up and expansion of businesses that will create significant long-term employment.

Provide financing to small businesses who are unable to obtain private financing for entire project.
Loans must result in creation or retention of jobs in eligible areas.

Eligibility includes all communities in the state of Alaska.

Loans in communities of 30,000 or more are available on a limited basis, depending on funds availability.

There is a non-public matching funds requirement.
Terms and Conditions

- **Maximum term:**
  - 20 years fixed asset
  - 5 years working capital
- **$300,000 maximum loan amount**
- **Interest rates fixed at the time of loan approval**
- **Adequately secured**
- **Purchased assets must be the collateral**

- **Fees:**
  - $200 application fee which is credited towards the origination fee
  - 1% origination fee deducted from loan proceeds
  - Borrower is responsible to pay all costs incurred
Purpose

To promote economic development in Alaska by helping small businesses access needed capital.
General Requirements

- Loan may be made for working capital, equipment, construction, or other commercial purposes for a business located in Alaska.

- Alaska resident for the 12 months preceding the date of application.

- Loans may not be made to pay costs that were incurred more than six months prior to receipt of loan application.

- Applicant(s) may not have any child support arrearage.
## Terms and Conditions

- Maximum loan amount is $35,000 to a person or up to $70,000 to two or more persons.
- Loan requests of $35,000 or more require a letter of denial from a financial institution, stating the reason(s) for denial, or confirmation that a loan from a financial institution is contingent on the applicant receiving a loan from the fund.
- Maximum loan term is 6 years.
- Interest rate fixed at the time of loan approval, contact us for current rates.
- All loans must be adequately secured.
- Applicant(s) must commit a reasonable amount of non-state funds to the project.
- Fees: $100 application fee 1% origination fee deducted from loan proceeds Borrower is responsible to pay all direct costs incurred
OFFICES:

Anchorage: Atwood Building downtown
Juneau: Vintage Park in the Valley

1-800-478-LOAN

Please visit us at:
www.commerce.alaska.gov/ded/fin/index.cfml

for information, loan applications and news
Thank you!