

FINANCING YOUR BUSINESS

Through Turbulent Times
While Not Running Out of Cash

Wednesday, April 1, 2020

Presented By:



HIRSHBERG
ENTREPRENEURSHIP
INSTITUTE



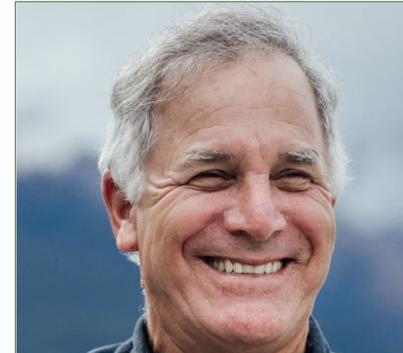
Featured Guests:



Don Buder
Naturally Bay Area &
Davis Wright Tremaine



Bob Burke
Natural Products
Consulting



Gary Hirshberg
Hirshberg
Entrepreneurship Institute



Andy Whitman
2x Consumer Products
Growth Partners



Keith Kohler
K2 Financing



Jeni Chokron
First Horizon Bank



Mike Burgmaier
Whipstitch Capital



Nick McCoy
Whipstitch Capital



Elliot Begoun
TIG

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Today's Agenda

3:00 pm **Welcome & Introduction**

Bob Burke of Natural Products Consulting

Don Buder of Naturally Bay Area

3:05 pm **How to Not Run Out of Cash (40 min)**

Gary Hirshberg of Hirshberg Entrepreneurship Institute

Andy Whitman of 2X Consumer Products Growth Partners

3:45 pm **Debt Financing Options (30 min)**

Keith Kohler of K2 Financing

Jeni Chokron of First Horizon Bank

4:15 pm **The State of Equity Financing Today (10 min)**

Mike Burgmaier and Nick McCoy of Whipstitch Capital

4:25 pm **Capital Efficiency When Running on All Cylinders (10 min)**

Elliot Begoun of TIG

4:35 pm **Q&A (20 min)**

5:00 pm **Program End**

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Thank you for joining the program!

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HIRSHBERG
ENTREPRENEURSHIP
INSTITUTE

Naturally
BAY AREA



whipstitch
CAPITAL

TIG

Let's stay in touch...

Naturally Bay Area – www.naturallybayarea.org
info@naturallybayarea.org

Don Buder - donbuder@dwt.com

Bob Burke - Bob@naturalconsulting.com

Andrew Whitman - awhitman@2xpartners.com

Gary Hirshberg - carlene@ghirshberg.com

Keith Kohler - keith@k2financing.com

Jeni Chokron - jchokron@firsthorizon.com

Mike Burgmaier - mike@whipstitchcapital.com

Nick McCoy - nick@whipstitchcapital.com

Elliot Begoun - elliott@tigbrands.com

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CONSUMER PRODUCTS GROWTH
PARTNERS

CASH IS KING !

Andy Whitman
awhitman@2xPartners.com

April 2020

Providing Context ...

About The Presenter



ANDY WHITMAN

Founder/Managing Partner & Investment Committee Member

- Combined 25+ years as consumer products business leader and industry partner/investor to emerging branded consumer products companies
- Broad general management experience plus functional background in marketing, sales, operations planning and corporate development
- Successful career with General Foods and Kraft Foods on large high profile brands plus focus on nurturing smaller businesses to achieve rapid growth
- MBA – Northwestern’s Kellogg School
BBA – University of Wisconsin

Determining Cash Needs

*Cash
Is King*

Start with business cash needs vs. what money you can raise.

- Why do decent businesses fail?
 - Run out of cash.
- P&Ls are nice ... but ***cash is king.***
Especially in today's world.
- What's the difference?

Determining Cash Needs: P&L vs. Cash

Cash
Is King

Interesting?

- Would you like to start & own this business?

Financing Farm-To-Fork Inc.		
	2011	2012
	<u>FY</u>	<u>FY</u>
Revenue	\$14,400	\$14,400
Cost of Goods Sold	\$7,920	\$7,920
Gross Profit	\$6,480	\$6,480
Gross Margin %	40%	45%
Sales		\$1,440
Market		\$2,160
G&A	\$800	\$2,160
Net Profit	\$ (163)	\$ 720
Net Margin %	-5%	5%

Never look annually.

Determining Cash Needs: P&L vs. Cash

Cash
Is King

Interesting?

- Would you like to start & own this business? Year 1

Financing Farm-To-Fork Inc.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	FY	
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	\$ 1,300
Gross Margin %	#DIV/0!	#DIV/0!	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 60	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 60	\$ 65	\$ 650
Net Profit	\$ -	\$ -	\$ (10)	\$ (15)	\$ (20)	\$ (25)	\$ (30)	\$ (35)	\$ (40)	\$ (45)	\$ (50)	\$ (55)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%



P&Ls *do not* really matter!

Determining Cash Needs: P&L vs. Cash

*Cash
Is King*

Let's Do An Exercise

- Converting Revenue to Cash

Financing Farm-To-Fork Inc.													
	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
REVENUE BUILD													
2% Cash Disc			\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 8	\$ 9	\$ 10	\$ 11	\$ 65
Bad Debt							\$ 100						\$ 100
Returns										\$ 35			\$ 35
Discounts			\$ 5	\$ 8	\$ 10	\$ 25	\$ 15	\$ 18	\$ 20	\$ 23	\$ 25	\$ 28	\$ 175
Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875
Cash Received							\$ 93						

Determining Cash Needs: P&L vs. Cash

Cash
Is King

Let's Do An Exercise

- Converting Revenue to Cash

Financing Farm-To-Fork Inc.

	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
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Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899

Determining Cash Needs: P&L vs. Cash

Cash
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Let's Do An Exercise

- Converting COGS to Cash

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
COGS DRILL DOWN													
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500

Determining Cash Needs: P&L vs. Cash

Cash
Is King

Let's Do An Exercise

- Converting SG&A to Cash

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Total SG&A	\$ -	\$ -	\$ 45	\$ 68	\$ 90	\$ 113	\$ 135	\$ 158	\$ 180	\$ 203	\$ 225	\$ 248	\$ 1,463

CASH MODEL													
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ 115	\$ 115	\$ 115	\$ 123	\$ 130	\$ 113	\$ 120	\$ 128	\$ 155	\$ 163	\$ 170	\$ 178	\$ 1,623

Note: Do by employee and expense line item.

Determining Cash Needs: P&L vs. Cash

Cash
Is King

Let's Summarize

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
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Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Net Profit	\$ -	\$ -	\$ (5)	\$ (8)	\$ (10)	\$ (13)	\$ (15)	\$ (18)	\$ (20)	\$ (23)	\$ (25)	\$ (28)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%

CASH MODEL													
	Jan '11	Feb '11	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11	Oct '11	Nov '11	Dec '11	2011
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ (115)	\$ (615)	\$ (115)	\$ (123)	\$ (37)	\$ (473)	\$ 66	\$ 93	\$ (476)	\$ 163	\$ 202	\$ (794)	\$ (2,224)

Summary

Remember:

- It takes several times as long as you think!
- It costs several times more than you think!

- You can start today ...
Brainstorm and plan and plan and plan and plan some more!!

***And, in today's COVID-19 world,
most of us are planning cash on a weekly basis!***



CONSUMER PRODUCTS GROWTH
PARTNERS

Now Back To Gary ...

Andy Whitman
awhitman@2xPartners.com

April 2020

Spreadsheet downloadable at https://drive.google.com/file/d/1_KCLHCHaLKeugk7pau006RRoz3_oUOWk/view.



Ideas To Help Conserve Cash

(From Working With Our Partner Companies)

Andy Whitman
awhitman@2xPartners.com

April 2020

How we're thinking about things ...

*Ideas
To Help*

Summary

The goal ...

**Live to Fight
Another Day**

How we're thinking about things ...

*Ideas
To Help*

Summary

The goal ...

THRIVE

Live to ~~Fight~~

Another Day

One pager downloadable at 2xPartners.com

*Ideas
To Help*

In Working With Our Talented Partner Company Leaders ...

One pager downloadable at 2xPartners.com

Ideas
To Help

In Working With Our Talented Partner Company Leaders ...



Click Here for [Link](#)

COVID-19

While we have all been working very actively together and know you are already taking proactive measures in response to the COVID-19 business impacts, we compiled steps that a business can take in order to best position themselves to weather this period of time. These steps focus on conserving cash and extending your cash runway. Maybe there's an additional nugget or two here for you to consider.

Please note that these thoughts are subject to change based on government policy changes. Of course, each situation and state is different so let's check with counsel.

In Working With Our Talented Partner Company Leaders ...

Conserving Cash

1. Revenue: consider what ways you can drive online sales in ways that are sensitive to the times; also, are there new uses for existing products that you can market or new products you might be able to make and sell (e.g., hand sanitizer)?

In Working With Our Talented Partner Company Leaders ...

Conserving Cash

1. Revenue: consider what ways you can drive online sales in ways that are sensitive to the times; also, are there new uses for existing products that you can market or new products you might be able to make and sell (e.g., hand sanitizer)?
2. Trade spend: cut trade spending (especially OIs that might not get passed along) in the short- and medium-term (likely for the rest of 2020)?

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Conserving Cash

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2. Trade spend: cut trade spending (especially OIs that might not get passed along) in the short- and medium-term (likely for the rest of 2020)?
3. Labor: there are many options, and plans can be developed and executed in phases; see below
 - a. Pay deferrals: defer payment of a % of salaries for employees to be paid at a later date?
 - b. Pay reductions: cut a % of salaries for employees (either across the board or with the biggest cuts from the top earners)?
 - c. Furloughs: mandatory time off work with no pay (or reduced pay such as 25% of salary)?
 - d. Layoffs: undesired and potentially not for phase 1 plans, but most effective to cut costs in the short-term?

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4. Variable OpEx: cut non-essential variable OpEx such as marketing or business development?
5. Fixed OpEx: rethink what is “fixed”; rent, utilities and other services with contracts should not be paid if cash is low; negotiations and payment plans likely to follow period without payments?

In Working With Our Talented Partner Company Leaders ...

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6. A/R & A/P: aggressively push to collect receivables as fast as possible (see “Receivables Forum for Partner Companies” google sheet for shared info) and push out payables as long as possible?
7. Inventory: scrutinize what’s essential to order based on cash situation & future sales opportunity and/or any critical raw/pack material with risk to future availability?; use cash wisely

In Working With Our Talented Partner Company Leaders ...

Extending Cash Runway

1. Covenants: seek approval to get covenants waived for as long as possible?
2. Draw on lines: draw on your credit lines to max out availability incase liquidity dries up?
3. Emergency loans: by now, you've applied for the [SBA disaster loan](#) (use Internet Explorer, not Chrome for this website) , but please monitor for additional federal, state and local programs
4. Grants: also as discussed Friday, seek grants as funding pops up (e.g., [Facebook \\$100mm grant](#)); share new grants with the broader group of partner companies as you learn of them
5. Insurance: check your policies to see the language on pandemics under business interruptions

During this time, please consult with each other. Share where you have had success and seek advice where you are encountering challenges. We at 2x Partners are here to help too.

In Working With Our Talented Partner Company Leaders ...

Extending Cash Runway

1. Covenants: seek approval to get covenants waived for as long as possible?
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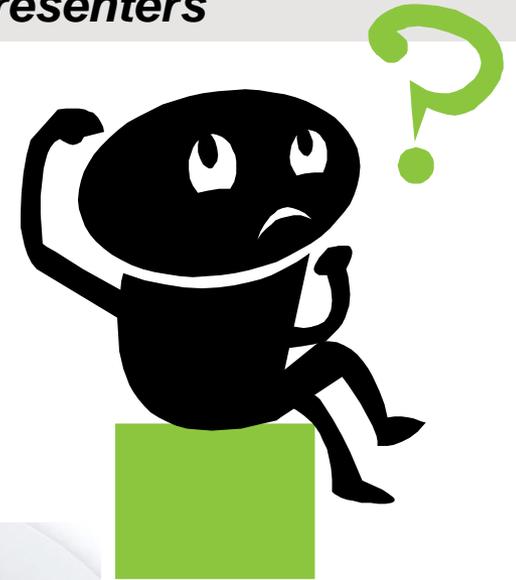
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20 North Wacker Drive | Suite 3120 | Chicago, IL 60606 | www.2xPartners.com

***Remember ... every dollar that goes out the door today
is not available later to weather this storm! Act now!!***

Questions for Gary & Andy?

More Opportunities Later With Other Presenters





CONSUMER PRODUCTS GROWTH
PARTNERS

APPENDIX – ABOUT US

Andy Whitman
awhitman@2xPartners.com

April 2020

Unparalleled Experience Combination: *Big Plus E*

Uniquely Experienced Team

Large Company Training (“Big”) Plus Emerging Brand Experience (“E”)

- Team brings collective experience as operators, board members, advisors and investors with both established and emerging brands



- Operating expertise across functions including sales, marketing, supply chain and finance
- Unparalleled relationships with and access to the vast majority of strategics via 20+ year personal and professional relationships

Highly Focused Investment Charter

Differentiated Approach

Disciplined Approach Within Emerging Consumer Products

Investment Profile		Investment Criteria
Categories	 Food	<ul style="list-style-type: none">✓ Seeking a partner, not just an investor✓ Powerful consumer positioning and product fulfillment✓ Strong sense of “proven-ness” based on in-market performance✓ Exponential growth history and future potential✓ Categories that immediately leverage our expertise✓ Attractive go-to-market approach and financial proposition✓ Deal dynamics suggest attractive risk/reward profile
	 Beverage	
 Personal Care & Beauty		
 Pet		
 Home Care		
 Other Consumer Products		
Geography	US & Canada	

Focus Makes A Difference

*Differentiated
Approach*

Intersection Of Our Industry & Channel Knowledge With Capacity To Help

- Leverage deep expertise, contacts and connections to help emerging consumer products businesses become category creators, disruptors and leaders

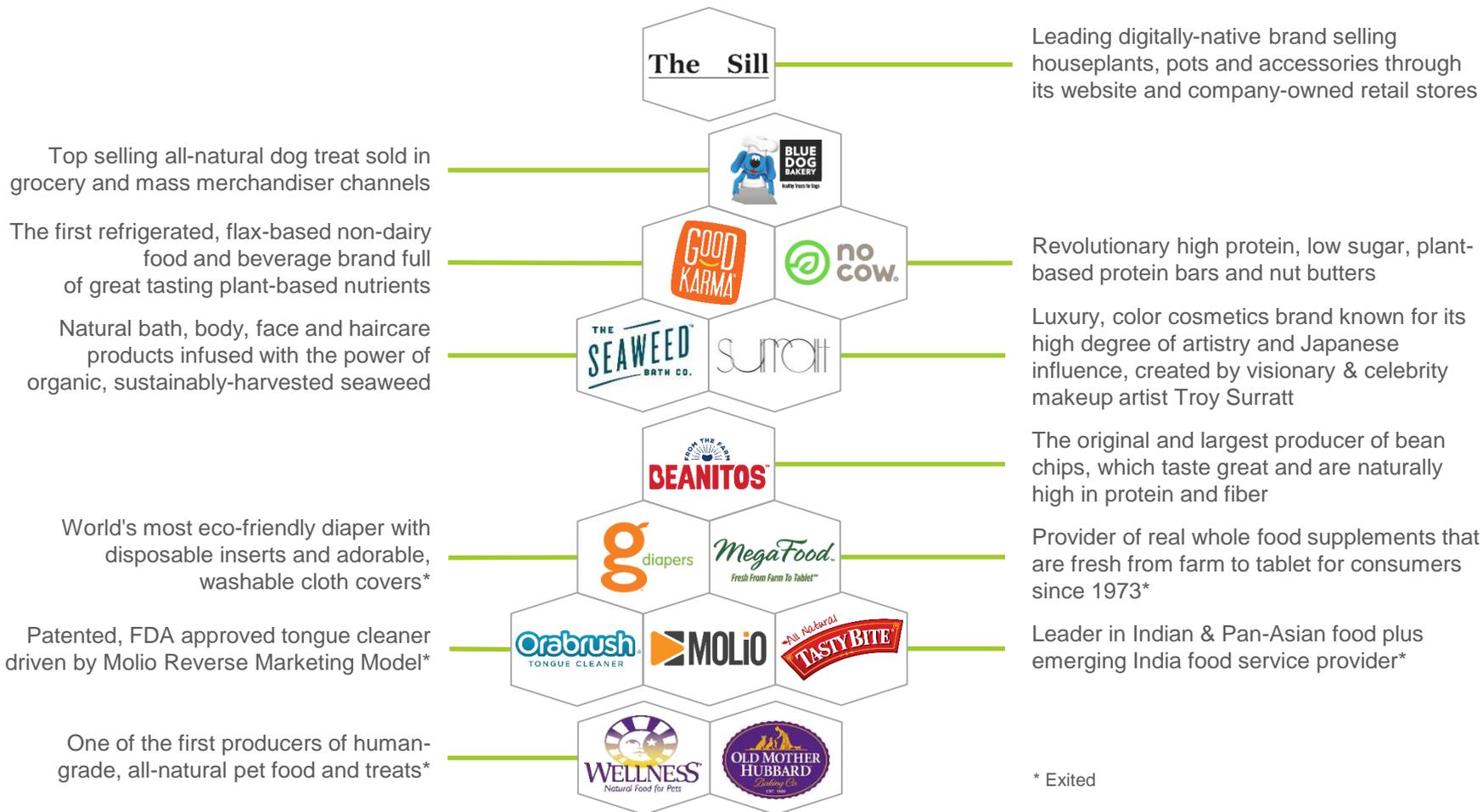


- Maintain ability and capacity to devote significant time to partner companies
- Highly selective among significant deal flow
 - Invested in 11 of last 6,000+ companies

Highly Selective Among Significant Deal Flow

Differentiated Approach

Invested In 12 Of Last 6,000+ Companies



* Exited

Proprietary Approach: *Brand Platformation*TM

Differentiated
Approach

Uniquely Qualified to Help Partner Companies



- Uniquely qualified to help emerging brands grow & exit at super-premium valuations
 - *Big Plus E* experience
 - Diverse & powerful network
 - 19 years of investor experience
 - Relationships with strategics
- Focus on “fast start” program immediately post investment

Partner
Companies:

+42%
CAGR

Regular keynote speakers at marquee industry conferences, including NOSH Live June 2017 – video available at <https://youtu.be/7fdOSllqdu>



Understanding The New SBA Loan Programs



K2

- Connect with Keith on **LinkedIn**: [linkedin.com/in/keithkohler1](https://www.linkedin.com/in/keithkohler1)
- Email: **Assessment@K2Financing.com**
- Financing Strategist, Advisor, and Debt Financing Expert
 - Specialize in Food & Beverage, CPG, Manufacturing
- Speaker on Debt Financing at Burke/Burgmaier Financing Events
- Principal of Nutrition Capital Network (www.nutritioncapital.com)
- Wharton Business Plan Competition Judge
- Mastermind Advisor (CPG) at Babson Women's Entrepreneurship Program



Jeni Chokron

- Connect with Jeni on **LinkedIn**: [linkedin.com/in/jenichokron](https://www.linkedin.com/in/jenichokron)
- Email: **jchokron@firsthorizon.com**
- Seasoned commercial lender
- Frequent speaker on Access to Capital
- Member of multiple South Florida Economic Development Groups



Today's Lending Landscape

- Many have put in temporary lending moratoriums (both conventional and SBA)
- For those who are lending, many have stopped accepting new application
- SBA "traditional" programs are still in place (7a, 504, Express, etc.)
- Non-bank lenders (A/R / inventory, fintech) staying the course or stepping up
- Essential Industries can and should still be eligible for lending
- Those abruptly shut down or severely disrupted should embrace SBA's new programs



What to do NOW

- Visualize yourself one year from now: what would your pro-forma look like?
- Finalize 2019 year-end financials (P&L, Balance Sheet, Debt Schedule, A/R, A/P)
- Finalize March 2020 financials ASAP
- If your 2019 business tax return is not filed, review your 2018 tax return in detail and have your K1s and W2s ready for 2019
- Be current on all payroll, state, or other taxes (NO liens, and do a lien search)
- Keep a thorough and detailed record of your “economic injury”
- Start from when you first experienced any issue in 2020



What to do **RIGHT NOW**

- If you are eligible for traditional SBA lending or conventional bank lending, apply right away, especially if 2019 (and through 3/20) was strong
- Check your business credit score (Nav, Credit Signal, credit.net, Credit Safe) Source: Credit Karma
- Do all that you can to maintain a “bankable” credit score (680 and above)
 - For you and for any other owner with over 20% ownership
 - If there are “issues,” start working on them now
- Survey all your banks/bankers and your investors to know where they are
- Be in constant contact with your vendors, suppliers, and customers (your A/R and A/P)
- Where would you call in your favors?
 - Can you ask for better payment terms? If you can pay on time can you ask for discounts?
 - Can you return any inventory or supplies for a refund?
- Continually update your cash flow model (for next rolling 12 months)



SBA Traditional Loans

- Traditional 7a, 504, Express, etc. all still in place
- **BREAKING NEWS:** SBA will make 6 months of payments on all current SBA loans or new loans booked within the next six months
- Remember that the banks are the lenders; the SBA is a guarantor
 - THEIR credit criteria and their eligibility standards must be met
 - Your bank may or may not choose to lend even with an SBA guarantee
- Credit box is shrinking
 - Most are no longer lending to the hospitality industry
 - Only the strongest deals are getting done (e.g. strong cash positions)
- ***Stay in constant communication with your commercial banker***



SBA New Loan Chart

OVERVIEW	PAYCHECK PROTECTION PROGRAM (PPP)	SBA ECONOMIC INJURY DISASTER LOAN (EIDL)	EIDL EMERGENCY GRANTS
Maximum Loan Amount	2.25x monthly payroll costs capped at \$100K per employee, maximum of \$10MM per borrower	\$2MM	Grant of up to \$10,000
Eligible Borrowers	Business with the greater of i) <500 Employees OR ii) SBA NAICS- specific employee size standards iii) Includes non-profits	Business that meet the SBA size standards	500 or fewer employees • Sole proprietorships (with or without employees or as independent contractors) • Cooperative of 500 or fewer employees • ESOP (500 or fewer employees) • Tribal small business concern (500 or fewer employees)
Use of Proceeds	<ul style="list-style-type: none"> Payroll Interest on mortgage payments (principal or prepayments excluded) Rent Utilities 	<ul style="list-style-type: none"> Payroll Rent Utilities Interest on debt incurred Accounts payable Some bills that could have been paid had the disaster not occurred 	Any allowable purpose for a loan made under Section 7(b)(2): <ul style="list-style-type: none"> provide sick leave to employees unable to work due to direct effect of COVID-19 maintain payroll to retain employees during business disruptions or substantial slowdowns meet increased costs to obtain materials unavailable from applicant's original source due to interrupted supply chains make rent or mortgage payments repay obligations that cannot be met due to revenue loss
Collateral / PG	Waived	Personal guarantee required Will take collateral	Waived
Credit Elsewhere	Waived	Waived	Waived
Forgivable	Yes, up to 100%. Forgiveness of indebtedness of an amount equal to the sum of the qualified costs incurred and payments made during the covered period (8-week period following loan origination. Forgiven portion may be reduced by a reduction in retained employees or reduction in pay of retained employees	No	Yes, Grant
Interest	0.5% for non-forgiven portion	3.75%	n/a
Term	2 years for non-forgiven portion	Up to 30 years	n/a



Most Important Insights

- Can apply to all programs, but cannot use proceeds for the same purposes
- These loans were made to pay expenses & retain jobs (not growth/expansion)
- Creditworthiness still counts, though lower credit scores can work for EIDL
- Ability to pay back can be demonstrated in multiple ways
- EIDL administered by SBA; PPP administered by your (deposit) Bank
- PPP will start taking applications Friday April 3 (April 10th for contractors and self-employed)
 - Contact your bank now to show your interest
- Think of this as applying to your top choice college or dream job (more is more)
 - Document and substantiate everything, especially “economic injury”



Payroll Protection Plan (PPP)

<https://home.treasury.gov/cares>



Payroll Protection Plan (PPP)

Documents for Loan Amount Determination (only for U.S.-residing employees)

- Payroll reports for 2019 and through March 2020, showing the following breakouts by employee (including owners) and by month
- Gross wages (including commission or similar compensation or cash tips or equivalent)
- Paid time off, paid vacation, pay for family medical, parental, medical, and sick leave
- Separation or dismissal, state and local taxes (form 940, 941, or 944)
- Payments for group health care benefits (including premiums), payments for retirement benefits
- For sole proprietors or independent contractors: wages, commissions, income, or net earnings from self-employment
- Any amount paid to one (1) person over \$100K in one year must be excluded from the calculation



Payroll Protection Plan (PPP)

Additional required documents

- 2019 company tax return or year-end financials (BS, IS, AR, AP)
- Verification of the number of employees and payroll incurred over the most recent 12-month period
- Bank statements
- Operating agreements and by-laws
- ***PPP application must be filled out by every owner with over 20% ownership***



Payroll Protection Plan (PPP)

Documentation for Loan Forgiveness (not required at application time)

- Verification of the number of FTE employees on payroll and pay rates for the 8 weeks following loan origination and documentation
- Payroll tax filings reported to the IRS
- State income, payroll, and unemployment filings
- Verification of mortgage interest, lease, and utility payments (cancelled checks, statements)
- Certification from a representative that the documentation presented is true and correct and the amount for which forgiveness is requested was used to retain employees, make interest payments on mortgage obligations, pay rent or pay utilities



EIDL

- **Eligibility:** “...must have suffered working capital losses due to the declared disaster”
- **K2’s simple rule:** Before and after
- **Credit History:** “...satisfactory to the SBA.” What does this mean?
- **Repayment:** “SBA must determine that the applicant business has the ability to repay the SBA loan.”
- **Collateral:** None required for loans up to \$25,000; above that amount borrowers must pledge it (business and personal)



EIDL

<https://covid19relief.sba.gov>

Have your last tax return, monthly P&L from February 1, 2019 to January 31, 2020, your banking information (routing number and account where you want funds)

Once submitted: **disastercustomerservice@sba.gov**



EIDL

- Filing Your Application – Insights

- Reasons for Decline: Incomplete, no signature, don't have all partners listed or submitting their respective forms
- Bad Credit is still bad credit (620 seems to be lowest acceptable, *right now*)
- Common Pitfalls by Document
 - 4506T: must sign and date
 - Tax returns: sign and date, provide all schedules
 - Schedule of Liabilities (Form 2202): sign and date, fill in every box,
 - Personal Financial Statement (Form 413): who is on form, “round” figures
 - Form 1368: the importance of a detailed narrative



EIDL

- What happens after I submit?
 - Application gets assigned to a loan processor
 - They check for eligibility and completeness
 - They will then call you to set up an interview up to 3 times
 - Have your application and all supporting materials available during the call
 - If approved, case manager assigned
 - Need to say that you will accept and willing to sign
 - Note: you can take a lower amount if you wish
 - Loan Docs sent -- you review and sign
 - Disbursement in tranches (check this again with your loan processor)
 - Grace period before first payment due (check this again)



THANK YOU



Keith Kohler

Assessment@K2Financing.com



Jeni Chokron

jchokron@firsthorizon.com



**Financing Your Business Through Turbulent Times:
The State of Equity Markets Today
4/1/2020**

Nicolas McCoy
Managing Director
nick@wstitch.com

Michael Burgmaier
Managing Director
mike@wstitch.com

The Big Picture

- Deals will still get done
 - Many funds need to deploy capital
- Timing: Don't start a process today
 - OK to continue, but recognize that investors may need more time than usual
- Best investors are your current investors – talk to them – be realistic
- **TIPS:**
 - Use convertible notes
 - Quicker; easier to paper; provide fair terms (cap, discount); try to allow for 12-months runway
 - If you can access CARES money, show how equity can leverage government money – “your dollar goes further...”
 - Develop tools to measure ROI on spend – show capital efficiency

Equity: Diverging Approaches for Strategics, Institutional Equity and Family Offices

Family Offices / HNW Individuals

- First capital to dry up
- Currently focusing on moving to safer assets

Institutions

- Deals continuing, but pace slower
- Prioritizing support to existing companies in need
- Varying activity levels; those with foodservice exposure and more fully invested funds least active
- Some “looking for bargains”, others being aggressive on good assets

Strategics

- Still interested but distracted; International players the most distracted
- Dealing with immediate operational issues, including supply chain disruptions, demand spikes, foodservice exposure and more
- Still have good liquidity and access to capital, but unlikely to allocate significant resources to evaluating deals given uncertainty

Talking to Investors

- Be honest and transparent
 - What is working
 - What is unknown: 2020 planning – what can you “know”?
 - What you are doing to address uncertainty and how you can be nimble
- Be numbers-based
- Diffuse investor perception of risk from uncertainty
 - Know your forecast plan in detail
 - Seek data from all sources - syndicated data, store level, orders, distributor inventory
- Use the opportunity to IMPRESS and stand out
 - One-time jumps or misses: what will stick?
 - **TIPS:**
 - See if you can benchmark yourself vs. the category – did you outperform?
 - Highlight sell-through success prior to March

Financial Drivers of Value – “Stand out Measures for Today”

Key Financial Metrics

Dimension

Move From Here... →

To Here... Where You Want

Revenue

Low – unproven product

Ability to reach \$100MM with existing product categories and channels

Gross Margins

Low – driver of losses

Clear ability to exceed category average

Growth

Low – particularly considering category

Higher the better

Capital Efficiency

High ratio of paid-in capital to sales/need to fund losses

Significant revenue achieved relative to capital raised – category a factor

Product and Brand Drivers of Value – “Stand out Measures for Today”

Key Product and Brand Attributes

Dimension	Move From Here... →	To Here... Where You Want
Brand Extendibility	Limited to current offerings	Ability to extend into other categories
Simplicity	Complex story with brand or product	No customer education required
Price Point	Expensive for value proposition	Premium justified – higher can be better
Frequency of Usage Occasion	Package requires multiple usage occasions/ infrequent usage pattern	Open/consume/buy another/frequently
Category	Shrinking, crowded category	Clear growing white space addressed
Team	No entrepreneurial or industry experience	Established track record

Sales Drivers of Value – “Stand out Measures for Today”

Key Sales Data

Dimension

Move From Here... →

To Here... Where You Want

Velocity

Flat/negative or below thresholds

Strong and Growing – Exceeding the category and competition

Customers

Shrinking demographic or micro-niche

Millennial favorite or broad mainstream appeal

Distribution

Limited channels; highly penetrated

Success in multiple channels; low ACV



Disclaimer

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Capital Efficiency

and the Uncertainty Premium

A relentless pursuit of capital efficiency

A short cash conversion cycle

Construction of a lean and agile organization

A laser focus on unit and channel economics

Harnessing the growing power of e-commerce

Leveraging digital to build a tribe

A curated and disciplined approach to retail

Driving discovery through alternative channels

If you still need to raise.....

What do you need to survive the next 6 to 9 months?

Exhaust all other funding options

Recognize the uncertainty premium

Raise an apocalypse round