HOW TO GET MORE OF THIS STUFF

2022 GUIDE TO FINDING CAPITAL
Jay Nowak
636-221-3701
jnowak@
bankofwashington.com

Tim Tobben
636-221-3627
ttobben@
bankofwashington.com

Chris Eckelkamp
636-221-3637
ceckelkamp@
bankofwashington.com

Sam Unnerstall
636-221-3649
sunnerstall@
bankofwashington.com

Brian Phillips
636-221-3724
bphilips@
bankofwashington.com

Gary Tod
636-221-3694
gtod@
bankofwashington.com

Phillip Kleekamp
636-221-3642
pkleekamp@
bankofwashington.com

Grow with Us
bankofwashington.com
A Guide to Getting

Get Financed In 2022
Learn How To Lock In The Financing You Need Tomorrow Today

St. Louis Small Business Monthly asked area bankers to share their best banking advice for 2022!

If you could offer one piece of advice to a business owner seeking financing in 2022, what would it be? How has that advice changed in the past few years and with COVID-19?

Given current inflation, factor in an increase in expenses that could take place in 2022. When seeking financing, ensure that you have enough cash flow to handle debt while anticipating increases in costs. Make sure you’re not borrowing money with little wiggle room to make payments.

For the past few years, prior to COVID-19, expenses were flat. However, employment costs and the cost of supplies have now gone up. Maximize awareness of your expense position when seeking financing.

With supply issues impacting many businesses and cash flows becoming tighter, how can banks help businesses in the New Year?

We anticipate expenses to be relatively high for the next 12-18 months. My best advice is to be conservative in forecasting expenses for the next year. Doing so will increase your chances for a successful 2022.

What is the outlook for gaining financing moving forward in 2022?

The ability to get financing is strong in 2022. Banks are still sitting on deposits that they are eager to get out to borrowers. The desire to lend is high right now because there is no real issue regarding defaults. Our biggest concern is how the current economy will affect employment and other operating costs, and how increased expenses will affect small businesses going forward. Right now, I’m talking with small business owners about their expenses in 2021 and their projected expenses in 2022. Their bottom lines will shrink if they are unable to increase profit numbers as expenses go up next year.

–Ken Kozma, Senior Vice President and Chief Lending Officer, St. Johns Bank

If you could offer one piece of advice to a business owner seeking financing in 2022, what would it be?

Be able to communicate a clear vision and business plan for your company, and make sure the lender you are working with shares that same vision and believes it in with you. Also, have a specific reason for the funding request, and be able to explain how the funds will increase your business and cash-flow. How has that advice changed in the past few years and with COVID-19?

During times of uncertainty is when it is most important for the business owner and their lender to be on the same page. If the business actively communicates their strategy and business plan, their banker will be able to proactively offer solutions and flexibility before it is potentially too late.

With supply issues impacting businesses and cash flows becoming tighter, how can banks help businesses in the new year?

–Chris Eckelkamp, Bank of Washington

Here are some tips and ideas that will help any entrepreneur looking to get capital in the next 12 months.
the Cash You Need

Banks are able to partner with small businesses to ensure they have access to additional working capital allowing them to purchase additional inventory when it is available. By being able to purchase in bulk using cash reserves or lines of credit, it allows the business to plan ahead and know they will be able to grow with their suppliers and customers.

What is the outlook for gaining financing moving forward in 2022? Businesses will continue to have access to capital/financing as most banks have surplus cash on their balance sheets to lend at this time. The historically low rates are expected to slowly start increasing, but overall the lending environment should still favor business owners.

–Chris Eckelkamp, Vice President of Commercial Lending, Bank of Washington

If you could offer one piece of advice to a business owner seeking financing in 2022, what would it be? How has that advice changed in the past few years and with COVID-19?

Be ready to answer questions about how your business reacted to the COVID pandemic and how your company has changed since pandemic lockdowns. Our underwriters will want to see how the financials compare pre- and post-COVID, so these questions will naturally come up. Many businesses had to significantly retool their business models and day-to-day operations to create efficiencies, so being able to explain the changes and benefits that accrued will go a long way.

I am unsure that my advice has changed much from pre-COVID days, but we are looking at longer historical financials to compare pre- and post-COVID. At the end of the day, the bank is still looking for business clients with stable-to-increasing revenue and bottom lines. However, we understand that 2020/2021 most likely will reflect a speed bump, so understanding how you handled those years and what you learned is very important.

With supply issues impacting many businesses and cash flows becoming tighter, how can banks help businesses in the new year? With supply-chain delays and larger businesses getting tougher on payment terms for deliveries/orders, I recommend that businesses be proactive and have conversations with their banking contacts about what each side is seeing in the market. Now is a good time to explore a working line of credit to help with tighter cashflow issues, particularly those associated with delayed payments on receivables, and to keep more inventory in stock. Many times, such lines of credit can be secured by the accounts receivables and inventory as well as equity in real estate.

What is the outlook for gaining financing moving forward in 2022? The market continues to move in a positive direction as interest rates remain historically low, and a lot of liquidity exists in the market from all the stimulus associated with COVID. These factors will keep banks hungry to provide financing to customers with whom they have strong relationships and to build relationships with new customers.

–Shawn Jasper, Relationship Manager, Great Southern Bank

(Continued on Page 21)

TOP 5 MYTHS ABOUT BUSINESS BANKING

The following misconceptions can derail a banking relationship and an owner’s opportunity to gain financing.

Banking relationships don’t matter.

Bankers like working with people they know and respect. If you think that in six months to a year you will be asking for a business loan, start cultivating a relationship with a banker now.

Banks will understand all industries and lend to all types of businesses.

Different banks have different niches when it comes to lending. Business owners should ask prospective bankers where their specialty lies and why they’re better than other banks at serving that niche’s needs.

Experience doesn’t matter.

Banks will be reluctant to risk financing on an entrepreneur without experience and a track record of success. Entrepreneurs need to know that banks cannot loan to a business with no track record and therefore cannot loan to startups.

Banks don’t have products for small businesses.

Although a bank loan might not be in order for a startup, products can be created to fit the needs of companies that are just starting out. Bankers should be able to help you find a solution if you are clear about your objectives.

Banks don’t want to lend money.

The bottom line is that banks like nothing better than finding a winner.
How Can I Find Flexible Financing For My Business?

On a “typical” day, a small business owner may reach for his or her business credit card to pay for normal expenses. For short-term financing needs, that’s a great option. However, business, like life, is unpredictable. You never know when opportunity might strike or when you might hit an unexpected bump in the road that could require additional funding or financing. If you encounter a situation where your trusty business credit card doesn’t meet your needs, here are a few other flexible financing options:

A line of credit - These flexible loans give you access to a specific amount of money you can draw on and repay again and again as business needs arise. Because you only pay interest on the amount you use, a line of credit can be a great way to finance short-term operating expenses.

Term loans - These “lump sum” loans provide borrowers money up front that will be paid back at fixed intervals. They are attractive to borrowers due to their ability to be repaid over a long period of time and typically have lower interest rates than other options. They are often used as a good way to quickly increase capital to raise a business’s supply capabilities.

Equipment Financing - If you need to upgrade your equipment, automate your manufacturing processes or improve your data security against cyberattacks, equipment financing may provide the flexibility you are looking for. An equipment loan can be structured as a term loan, a line of credit or a combination of the two. Not only does the loan offer flexibility in how you use it, but also the repayment plans can be more flexible than those of traditional term loans.

The Bottom Line: Small businesses need financing flexibility to address the ups and downs that are part of every company’s life. By identifying your options and planning ahead, you can be prepared when the unexpected happens.

Debi Enders (debi.enders@commercebank.com) is vice president, small business banking at Commerce Bank.

ASK THE BANKER

Presented by:

Simmons Bank.
Member FDIC | simmonsbank.com

How Do I Find A Banker And Start Building A Relationship?

As you might do when looking for a new doctor, accountant, or other key service provider; ask your friends, family, and business advisors who they know or recommend. Once you’ve identified several candidates, ask for an introduction. Bankers analyze many things about potential clients including character. Be sure to have whomever makes the introduction share things like how they know you and how long they’ve known you. The best way to start building any relationship is to invest time in meeting to get to know one another.

What Should I Look For In A Banker?

I’d expand this question to include bank as well. Most banks focus on certain types of business and lending. Some banks might focus on small business banking, while some might focus on large commercial real estate lending. Within any bank, bankers might specialize in certain types of business. You’ll want to ask questions such as is my business a good fit with your bank or does your bank work with many clients like me. Beyond finding a good match, be sure your bank and banker are responsive and that you have great communication.

Is Remote Deposit Or Treasury Management Mobile Banking Right For My Business?

Most businesses can benefit from the convenience of digital solutions and the recent pandemic has made accessibility even more of a priority for business owners. Remote deposit is a key for any business that receives a large number of checks and allows you to deposit those checks from your desk, making the task of handling your banking more convenient and efficient and improving cash flow through faster funds availability and check clearing. All you need is a computer, an internet connection and a check scanner provided by your bank. For those businesses that do not process many checks, mobile banking is another great digital solution that allows for monitoring of business account and loan balances, ACH Origination, Domestic & International Wires with the benefit of Fraud Protection, all from a user-friendly mobile app. The app allows for 24-hour account access and more information can be found at http://www.simmonsbank.com/downloadapp. Third party fees may apply. All accounts subject to approval.

Advice From The Trenches: Entrepreneur Shares Banking Experience

Getting Prepared

No. 1: Make it a priority. It takes time.
No. 2: Be transparent. Don’t try to be something you aren’t. The bank will see through it, and it will make the relationship harder.
No. 3: Base the relationship on the firm, not the individual. This is so that if the owner leaves and the management team is still in place, the banking relationship is too.

Recognizing a Poor Fit

No. 1: Revolving door of people. If a relationship with your banker is measured in months, not years, that might be a wrong fit.
No. 2: Deal structure. If the bank is always coming up with new stuff, that may mean they don’t understand your business.
No. 3: Lack of service. If they aren’t calling you back or they are making errors, find a new bank. Banking is a competitive business, and another bank will love to get to know you and your business.

Scot Hunsaker shares some of his top banking tips here.

Answers provided by Scot Hunsaker, Senior Vice President, Commercial Lending at Simmons Bank. He can be reached at 314-569-7243 or scot.hunsaker@simmonsbank.com. The views in this article are those of Scot Hunsaker individually and do not reflect those of Simmons Bank.

What Is Best For Me: Business Loan Or Line of Credit?

The first determinant in deciding which type of credit is best for you is to define the purpose for the loan proceeds and the type of assets that will be securing that loan. Business loans are intended for long-term financing, typically best for purchases of property such as real estate or equipment. These loans are structured with a fixed interest rate and set monthly payments calculated over the life of that underlying asset. A line of credit, on the other hand, is intended to provide working capital to shore up the business’ cash flow on a short-term basis. Common uses for lines of credit are financing of receivables or inventory. There are variable rate loans which only require interest payments monthly on the balance outstanding. Lines of credit are ideal for providing the cash flow your business needs while waiting for those short-term assets to convert to cash.

Answers provided by Emilie Moody, Commercial Lending at Simmons Bank. She can be reached at 314.569.7201 or emilie.moody@simmonsbank.com. The views in this article are those of Emilie Moody individually and do not reflect those of Simmons Bank.
How to Find an Angel

Where To Find One
People don’t usually just go around letting everyone know they invest in businesses. If they did, they’d be flooded with phone calls. To locate them, try an organization like St. Louis Arch Angels (stlouisarchangels.com) or the Billiken Angel Network (billikenangels.com), organizations that gather angels interested in funding companies.

How To Establish Contact With An Angel
The best way to establish contact is to ask yourself what type of people will have contact with angels. These people are bankers, lawyers in areas such as corporate law and wealth managers.

What Angels Look For In A Business
Most angels have a specialization. It is important for entrepreneurs to realize this and to apply to a group that is open to your type of industry and stage.

How Angels Evaluate A Business
When the idea comes in, Angels will ask: Are the applicant’s assumptions reasonable? Are the financials reasonable? Does the product have a place? Do they have a prototype and management ability? Do they have a realistic marketing plan? And does the business idea make sense overall?

Red Flags
According to one local Angel, here is a list of “fatal flaws” that will kill the deal at level one. The fatal flaws are:
- There’s a missing form like a balance sheet.
- The number of years to break even is inappropriate. It’s hard to invest, unless it’s an enormous payout.
- The balance sheet doesn’t balance.
- Assumptions are unclear.
- Uses of invested money aren’t clear.

Good Questions For The Venture Capitalist

What is your risk appetite?
What kind of businesses do you invest in?
Have you invested in our industry before?
We would like to hear your opinion on our plan, so what can you do to help us?
Where are you in the life cycle of your fund?
What is your typical investment size?
How much do you typically hold in reserve?
What is your level of interest in our venture at this point?
What is your process for making a decision?

Banker Advice

If you could offer one piece of advice to a business owner seeking financing in 2022, what would it be? How has that advice changed in the past few years and with COVID-19?
Start preparing now, even if you don’t have a need for financing. Make sure your credit score is adequate, your cash position is good, and your business financials are up to date. COVID-19 has taught us that you can never be too prepared for any drastic change in your industry. However, you can control your cash position and expense management. Doing so is a key to any successful business, with or without a global pandemic, and a good banking relationship can assist in your preparation and can help build resilience in the face of disruption.

With supply issues impacting many businesses and cash flows becoming tighter, how can banks help businesses in the new year?
Knowing up front what the challenges are for a business is very helpful when discussing finances with a client. Such knowledge can lead to discussions about cash flow and the company’s needs for accessing capital to get through longer peaks and valleys associated with supply issues and timing.

What is the outlook for gaining financing moving forward in 2022?
Many businesses significantly cut expenses and saved more cash during 2021. These actions will catapult them into a good position, whether they are leveraging the cash for financing or other expenditures. Having a secondary source of repayment is important should challenges arise in the future.
- Laura Crosby, Small Business Specialist, Commerce Bank

Self-Reliance
For some business owners, especially startup entrepreneurs, using their own money is the only option available. Before enlisting the aid of outsiders, decide how much money you can personally invest. Not only will your investment reduce the amount you will eventually have to repay, it could also help you secure funds from other sources. Credit cards and a second mortgage on your home may help you finance your business.

Credit Cards
Once seen as a convenient and secure way to replace office petty cash, business credit cards are now proving to have greater benefits, such as providing cash flow relief for businesses during difficult times and providing operating capital for new ventures and projects.

Grants
Grants are funding that a business receives for free. The grant does not require repayment to the granting agency, usually private organizations, non-profits or economic development entities.
Seeking Capital in 2022?

We’re ready to help you rise to new challenges.
Seeking Capital?
Give me a call.

Ken Kozma
Senior Vice President and Chief Lending Officer
314.629.4050

Our team of local lenders know that there’s nothing small about your Business.

Call Jackie today to discuss your big plans for your small business.

Jackie Gates
jackie.gates@royalbanksnet.com
(314)212-1549

GUIDE TO FINDING CAPITAL IN 2022

Turned Down For A Loan?
Seeking Capital but a Traditional Bank Loan Isn’t Right for Your Small Business? Read on to Learn about Your Financing Options.

Angel Investment
What it is: Business angels are investors, usually individuals, willing to provide entrepreneurs with investments ranging from $5,000 to $2 million. Angel investments are usually in exchange for convertible debt or ownership equity.
Who it is best for: Startup entrepreneurs looking to move their ideas or small businesses to the next phase. These entrepreneurs may also receive the guidance of the angel or angel group that has invested in their business.

Factoring
What it is: The sale of a creditworthy receivable generated by a business owner to a third person (factor) for the express purpose of getting most of the invoice money immediately. There are no restrictions for the use of this money. The receivable can be sold to a factor as soon as it is generated by the company. Most business owners use the working capital from factoring to pay payroll and payroll taxes on time, replenish inventory, get vendor discounts, and pay job insurance. Business owners also use factoring money to develop a new idea or promote new products.
Who it is best for: Factoring is great for firms that might not be able to obtain traditional financing at this time. They may be newly established, do not have the collateral or the credit scores that are required for loans. Factoring can also help businesses with seasonal demands such as staffing, lawn maintenance, and security firms. Factoring gives companies the working capital to pay payroll frequently, such as janitorial firms.

Venture Capital
What it is: Substantial capital in the form of an equity investment that may be earned by established early-stage firms with high potential in the form of venture capital. Venture capital firms are interested in investing at least $1 million and up.
Who it is best for: The ideal business is one with a proven management team that knows how to operate a high-growth business successfully paired with a great idea, a defensible position (intellectual property, unique service offering, benefit to scale, etc.) and a market that has a problem they need solved. Often, venture capital firms are looking for companies that are going public or going to be acquired within a five-year-or-so period.
GUIDE TO FINDING CAPITAL IN 2022

Get to Know The Top Leaders

Still hearing that small businesses aren’t getting loans? Then take a look at the numbers from the Small Business Administration’s Lender Loan Production Report for the fiscal year of 2021 and find some encouragement. The following charts show the area’s top lenders and top certified development companies who are lending to small businesses.

### 7(a) LOANS—ST. LOUIS DISTRICT OFFICE

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Loan Amount, Number of Loans and Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Bank of Missouri</td>
<td>$26,607,600, americanbankofmissouri.com</td>
</tr>
<tr>
<td>Midwest Regional Bank</td>
<td>$20,408,000, mwrbank.com</td>
</tr>
<tr>
<td>Bank of Houston</td>
<td>$16,035,500, thebankofhouston.com</td>
</tr>
<tr>
<td>Live Oak</td>
<td>$13,739,000, liveoakbank.com</td>
</tr>
<tr>
<td>Busey Bank</td>
<td>$14,168,400, busey.com</td>
</tr>
<tr>
<td>Enterprise Bank &amp; Trust</td>
<td>$12,034,000, enterprisebank.com</td>
</tr>
<tr>
<td>St. Louis Bank</td>
<td>$11,019,000, stlouisbank.com</td>
</tr>
<tr>
<td>Commerce Bank</td>
<td>$8,872,200, commercebank.com</td>
</tr>
<tr>
<td>Fortune Bank</td>
<td>$7,643,800, myfortuneteam.com</td>
</tr>
<tr>
<td>Regions Bank</td>
<td>$7,146,900, regions.com</td>
</tr>
<tr>
<td>The Bank of Missouri</td>
<td>$6,052,700, bankofmissouri.com</td>
</tr>
<tr>
<td>U.S. Bank</td>
<td>$4,186,800, usbank.com</td>
</tr>
<tr>
<td>Meramec Valley Bank</td>
<td>$3,005,800, meramecvalleybank.com</td>
</tr>
<tr>
<td>Callaway Bank</td>
<td>$2,102,000, callawaybank.com</td>
</tr>
</tbody>
</table>

SBA Lending Programs For 2022

The federal government has a vested interest to encourage small business growth (higher employment opportunities). As a result, some SBA loans have less stringent requirements for owner’s equity and collateral than conventional commercial loans, making the SBA an excellent financing source for startups, franchising, working capital and more.

**What is the 7(a) loan?**
The 7(a) loan is SBA’s most frequently used loan program because of its flexibility, variety of uses of loan proceeds and loan structure. It’s basically a general commercial/business loan designed to accommodate a wide range of financing needs, which include starting up a new business or growing an existing business; buying an existing business; acquiring machinery, equipment, or furniture/fixtures; acquiring or renovating a building that the business will occupy; use as working capital; and refinancing existing debt under certain circumstances. It is not a direct loan from the SBA but rather a guaranteed loan from a bank or other approved lender in which the SBA mitigates the lender’s potential losses via a 50 to 90% guarantee of the unpaid portion of the debt. Because of this, lenders are more prone to approve small-business loans that may have otherwise been rejected.

**What is the 504 loan?**
The 504 loan program is a 10%-down, fixed-rate, long-term loan program for small businesses. The 504 loan is a loan package used to expand a business’s world with real estate, building, equipment, furniture, and fixtures. Across the board, whether for a retail or commercial business, the 504 is good for any for-profit business organized as a corporation, sole proprietorship, partnership, LLC, etc. and located in the U.S.