

Funding Matrix

	Founders	Customers	Investors	Lenders	Grants
What they expect		Value	A financial return on their investment	Payment of interest and principal	Furtherment of their mission
Sub classes of funding	Contributing partners, limited partners	Payment in advance	Friends and family, angel investors, venture capital firms	Banks loans, business lines of credit, credit cards, home equity lines of credit, factoring, angels	Granting agencies Contracting agencies
What they look for			Rapid company growth and profitability	Reliable cash flow to make payments	Realistic plan to accomplish the short term goal, and occasionally long-term goal
What they require		Delivery of product or service	Ranges from very little to extensive business plan and legal documents	Lots of paperwork demonstrating “5 Cs”	Paperwork and final report
Cost of capital		Actual cost to produce or deliver plus advertising, sales and marketing costs (Cost of customer acquisition)	Equity Effective annual rate ranges from 20% to 80%	Based on interest rates. Loans may range from 8% to 20%	Seldom any hard costs; just time costs to develop proposal and reports
Cost of \$100,000 over 5 years		Less than \$100,000 if sales are profitable	About \$300,000 to \$500,000 (a 3-5x return to investors)	About \$125,000 to \$150,000, depending on interest rates and tax deductions on interest payments	\$0 May require matching funds.

Suitability for start up company	Ideal.	Depends on type of company; may require years of R&D prior to first sale.	Angel investors focus on seed stage; VCs on later stage companies.	Typically not suited for start up companies without operating history.	Many programs focus on start ups; others require operating history.
Number of funding options	Limited	First sale is usually hardest.	500,000 angels in U.S.	Numerous banks available, but start up funding is limited	Relatively few
Risk tolerance		Near zero	High; expect most investments to fail	Very low. Default rate is less than 5%	
Use of funds	Anything	Specific product or service	Expansion needs, working capital, marketing, R&D	Hard assets, such as building, plants, equipment, etc.	Usually R&D. Many restrictions, which vary by funding source.
Advantages	You keep total control and do not need to answer to anyone else	All companies need customers anyway; You don't have to share your success.	Does not require cash from you for period of several years.	You keep control. Once you pay off debt, you keep all profits.	Usually does not need to be paid back.
Disadvantages	Extends personal risk. Personal finances are probably limited.	You may need cash upfront to deliver good or service	Give up control and share of rewards	Requires cash. May require personal guarantee	May publish part of your business. May require detailed record keeping.
Regulatory Environment	Very limited.	Limited.	Regulated by the Securities & Exchange Commission (SEC), although many small investments often pass under the radar.	Heavily regulated. Banks are severely restricted as to what they can do and have to do.	Limited. The IRS watches foundation granting practices. Government grants are governed by a number of agencies, but grants often have flexibility.