WHITEPAPER

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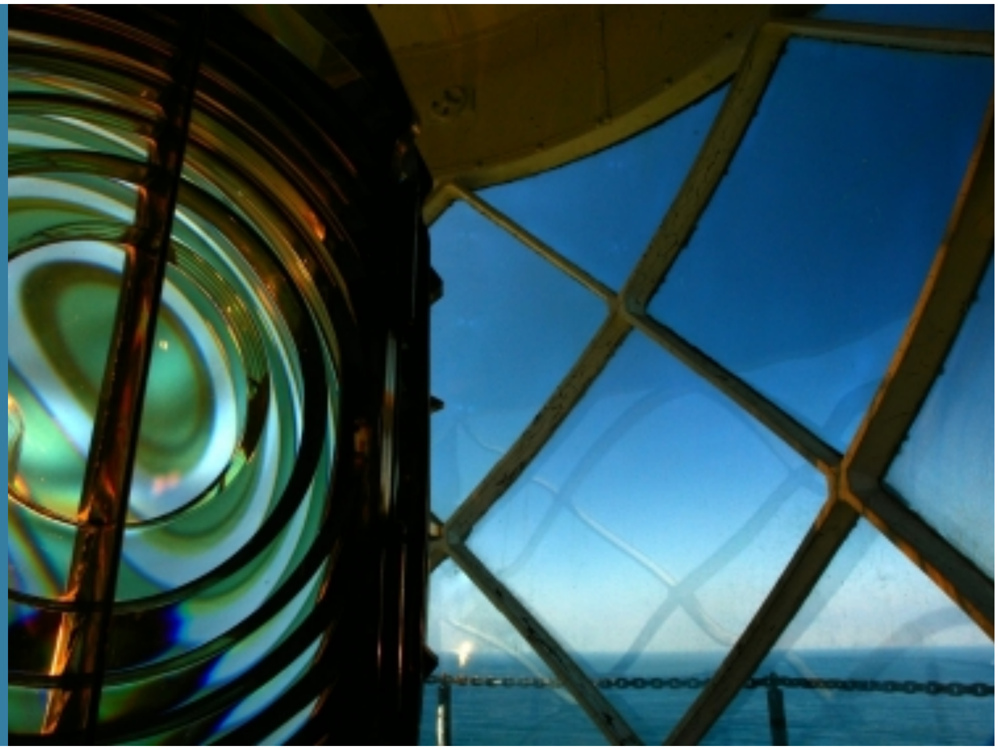

Raising Capital

Creative Financing Trends in 2015

By Chris Risey, President, Lantern Capital Advisors, Atlanta

The most talked about financing innovation over the last two years has been on the passage of the Jobs Act in 2012 which opened the door to crowd funding. However, because of limitations on the size of financings and the slow pace of the SEC to come up with the rules for enforcement, crowd funding is not much of a relevant innovation for established entrepreneurs, particularly those with businesses generating revenues over $5 million (often referred to as 'lower middle market' companies.)

The better news is that while crowd funding may not be much of new option for many established businesses, other innovations and trends continue to develop which improve financing alternatives for established, entrepreneurial companies. These include continued new product innovation, increasing nationwide competition, bigger disparities between banks, and increased funding for owners' personal liquidity (cash dividends). Each of these trends is discussed below and illustrated with a recent example.

CONTINUED PRODUCT INNOVATION: Like other businesses, capital providers continue to think and rethink their product offering to attract new clients (investments). To do this, they think of new ways to lend or invest that is more appealing than their competition. This can mean not just the cost of the financing but also other key terms such as how it is paid back. As an example, we had a client secure $1.5 million of growth financing. This capital was used to fund development on a suite of new products. This investment was structured as a note (debt) and the repayment was based on pre-determined percentages of the Company's future monthly revenues starting at .5% then increasing to 1.25%. (The payment percentage increases as the expected cash flows increase). The term of the loan was approximately 50 months. Not only were the repayment terms innovative, but the investment required no personal guarantees and had no negative financial covenants.

We helped a client secure $1.5 million of growth capital using a new and innovative investment structure where the repayment terms were based on a pre-determined percentage of monthly revenue ranging from .5% to 1.25%. While structured like debt, the investment required no financial covenants or personal guarantee. This approach saved a significant amount of management's equity when compared to structures proposed by traditional venture capitalists.

By using this innovative structure, the Company was able to secure additional capital without having to give away significant equity. (The investor did get a 1% ownership stake in the business, but that was considerably better than preliminary terms offered by interested venture capital firms.)

NATIONWIDE COMPETITION FOR FINANCING: As a general rule the smaller the funding amount, the more local the financing sources tend to be. Today, that is not necessarily the case. Increasingly capital providers of all sizes are looking for investment opportunities on a national scale. This lack of dependence on geography can create competition and open up better financing options than those found in a company's own back yard. As an example, we recently completed a $7 million buyout financing for an Atlanta based company with financing from a group in Kansas City. Our client chose this group because they were more aggressive and more responsive than financing groups in Atlanta. Had the Company not chosen that group, their 2nd best financing proposal came from a funding group in Miami, FL.

BIG DISPARITY BETWEEN BANKS: It's a strange world when a company is more worried about their bank than the bank is worried about the company. That has been the scenario for many business owners since 2008. As banks have continued to beef up their balance sheets, the disparity between lenders has been very noticeable. For example, we recently helped a construction company get a new line of credit with a traditional bank even after the company had incurred operating losses the previous two years. While practically all other banks were saying ‘no,’ this one said ‘yes’ because they believed in the Company and its business plan. They also felt the Company had turned the corner and if they didn't fund the company at that time, competition for their financing would only increase.

FUNDING OWNER LIQUIDITY: Not too long ago it was considered a ‘no no’ to provide financial liquidity to owners that also needed money to fund growth. However, motivated by a strong desire to get money out the door after years of successful fund raising, many groups are now much more willing to provide owners capital not only for growth but also personal liquidity (‘taking chips off the table.’) Equally important, this capital is increasingly available as both debt and equity investments. As an example, we recently worked with a company that ended up securing debt and equity financing proposals that ranged from $5 million to fund growth (only) to $10 million for growth and ownership liquidity and $25 million to fund growth, liquidity and a partial sale (45%) of the business.

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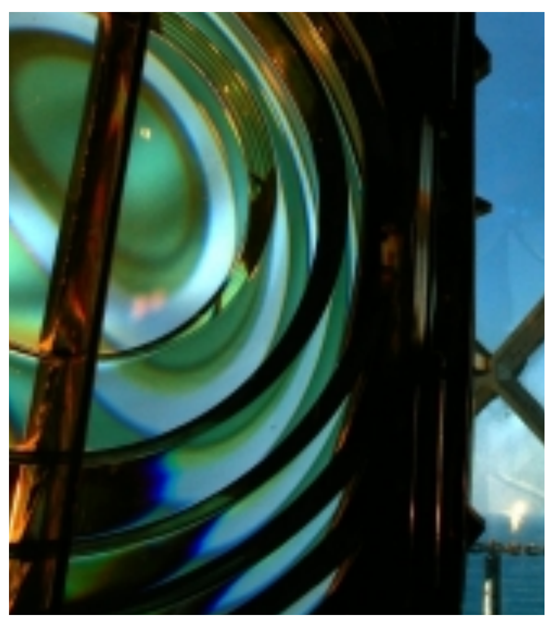
These trends highlight some of the examples of how the market for financing and investing in entrepreneurial companies continue to change. So as you think about financing options for your company, make sure to cast a wide net and consider all your options. You may find that just as your business grows, so grows the options you have for funding it in ways that are much more attractive than they were just a few years ago.



About The Author

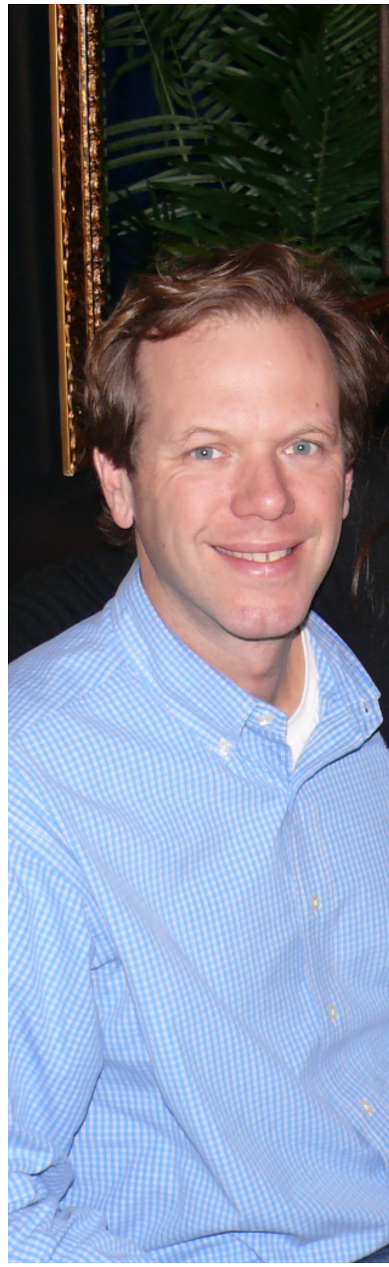
Chris Risey

Chris Risey is the founder and President of Lantern Capital Advisors, an Atlanta-based financial consulting firm that specializes in helping successful entrepreneurial companies finance growth, acquisitions and buyouts. Since its formation, Lantern Capital Advisors has helped clients develop strategies and fund their Company in order to drive more growth, build more value, and accomplish important goals.

Prior to founding Lantern Capital Advisors, Mr. Risey served as a Managing Director for niche consulting firm that provided corporate financial consulting and helped companies raise capital from a variety of institutions including banks, specialty and mezzanine lenders, venture capital firms and underwriters. After nine years, Mr. Risey left to launch his own financial consulting firm to provide cost effective services, guaranteed results, and high client satisfaction. Chris started his professional career as a CPA in the audit and advisory services group for Arthur Andersen in New Orleans, Louisiana.

Active within the business and civic community, Mr. Risey has served for many years in a variety of leadership roles within Rotary International, Financial Executives International, and The Association for Corporate Growth. Mr. Risey is also a frequent writer and speaker to financial executives and entrepreneurs throughout the country interested to learn more about today's financing and planning strategies that have created significant value for a variety of companies.

Mr. Risey is a magna cum laude graduate of the University of South Florida with a degree in Finance. He was twice named Academic All-American (Men's Basketball) and is a former Rotary International Ambassadorial Scholar whereby he studied at the Australian Graduate School of Management at the University of New South Wales in Sydney, Australia. Chris lives in Atlanta with his wife and three children.



About Lantern Capital Advisors

Many clients have limited prior experience in the capital markets and want to gain the benefits of an experienced advisor to source funding alternatives and give advice that is in their best interest. Lantern Capital Advisors hourly based approach uniquely positions us to do just that. Our professionals have been engaged in a broad array of large and small assignments across various industries across the United States. Common client engagements and activities include one or more of the following:

- Develop detailed financial plans
- Secure capital for refinancing, growth, or liquidity
- Coordinate mergers/ acquisitions
- Coordinate management buyouts
- Prepare quality business plans
- Replace current lenders or investors
- Remove personal debt guarantees
- Solicit underwrites for securities offerings

Contact Lantern Capital Advisors

To learn more about Lantern Capital Advisors and corporate financial planning for your company, please visit our website www.lanternadvisors.com.

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