The Record SECTION B
Business
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PERSONAL FINANCE 4 • ASK A LAWYER 4

At fund-raising seminar, New Jersey education foundations learn some valuable lessons. 2

DOW	777.68	Close 10,365.45
S&P 500	106.59	Close 1,106.45
NA	199.6	

ASK A LAWYER

Money sources for many kinds of businesses

Q. What types of financing should I consider to raise capital for my business?

The most common sources of financing include:

- Loans from family, friends or business contacts
- Equity investments in which the company sells ownership interests in exchange for capital from family, friends, business contacts or other investors, including "angel" investors or venture capitalists
- Short- or long-term loans, operating-term loans, bridge loans and revolving lines of credit provided by commercial banks or credit unions
- Investments in debt or hybrid securities of the company in exchange for capital from investors
- Federally backed loans through the Small Business Administration

Other sources of financing may be considered, including factoring accounts receivable and equipment leasing.

The types of debt financing that are appropriate for your business will depend on a number of factors, including the business' operating history and projections, current leverage and capital needs (whether short- or long-term and whether related to start-up expenses, operating expenses or a new venture), the amount of capital needed, and your desire or ability to pledge assets or personally guarantee the indebtedness.

The types of equity financing suitable for your business will depend upon a number of other business considerations, including existing equity holders' willingness to dilute their ownership interest in the company or share voting control, as well as management's willingness to forgo some autonomy and control of the business.

Some sources of equity and debt financing may not be attractive or available to your business because of other factors, such as the type of organizational structure of the business (whether a limited liability company, partnership or corporation), the stage of development of the business, restrictions contained in outstanding debt and equity instruments, tax considerations (including whether the company is an S corporation), and federal and state securities laws restrictions. Whether the company

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should attempt to obtain debt financing, equity financing, or a combination of each also will be based on these factors and the particular characteristics of your business.

Each type of financing has its advantages and disadvantages. You should consult your legal and financial advisers to select the financing option or combination of options that may be available and best suited for your business.

Once the type of financing is determined, the transaction should be carefully structured and properly documented, even if you are obtaining the capital only from family and friends.

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Do you have a business question for a lawyer? Send it to BusinessNews@northjersey.com.