Funding Sources

Where does a team get that startup funding? Without the initial investment needed to buy equipment, lease the facility and pay startup salaries, few companies can succeed.

Startup funds can come from friends and families. Got a rich uncle? Maybe he'll loan your team the money to get started. Another possibility is to sell shares in the factory to people you know. Especially if you are in a small community – where know you – you have the potential for having your investors be your neighbors and local businessmen.

Every town or small city has rich guys. They usually got rich by starting a business themselves. They know how hard it is to make a company successful; they are usually sympathetic to your efforts. The expression, "Be kind to bold beginnings," comes from businessmen who remember how hard it was to get started. They can be great sources of business experience for you, advisors that have been there and that know people who can help you.

Startup Sources

- Friends and family
- Sell shares in factory
- Rich guys: every town has a few
- Energy Partnerships
  used in oil and gas investments

A more complicated way is to sell shares as an Energy Partnership. These partnerships are how oil and gas operators have gotten their start for decades. Investors gave startup funds to "wildcatters" that searched the country for potential oil or gas wells. With the funds they would buy drilling equipment, find a potential site, acquire mineral rights and drill the well. If they hit big, the investors shared the profits.

Selling solar is not unlike being a wildcatter. Instead of drilling equipment, a factory team needs manufacturing equipment. Instead of drilling at a site, they install a solar module there. Instead of drilling down to capture energy in the ground, they drill up to capture energy from the sun. But wildcatter investors get handsome tax breaks called oil depletion allowances, paying less than other investments they could make. Another big difference is the probability of success. While a wildcatter back in the day might hit 25% of the time, in solar every installation produces.

Operating Sources: after 6 months

- SBA loans through government
- Work In Process (WIP) loans

Once past the first 6 months, other options become available. The chart lists other possibilities such as government loans and bank loans. The Small Business Administration loans money to new businesses, but it's easier to get those funds if you can show that you are already succeeding. It might take 6 months to a year before your factory might qualify.

Another possibility is Work-in-Progress (WIP) loans from a bank. The bank loans your factory money to pay for the cost of materials (sheet metal, foam, IP components) used to make solar modules. But they want to see a measure of success before they give out those loans.

Their concern is the risk: if your company goes down, they don't want to be stuck with a pile of foam and sheet metal. If the bank is local, they will hear how well you are doing from your customers and neighbors. Banks want to see that you've got a hundred installations under your belt with happy solar customers that are paying off their loans or being prompt on their energy payments. They are not impressed by deadbeat or unhappy customers.

There may be other sources of funds for startup companies. For example, the State of New Mexico pay for the cost of training new employees for as long as six months. Unfortunately, the payments are made about 6 to 8 months after the employee starts – there is no money here for starting up but it would put extra cash in hand for growing quicker. Other states have other incentive programs for green startups.