

DEBT

ADVANTAGES

- ✓ You don't have to give ownership in the company in exchange for the money
- ✓ The bank probably won't join your board and they pretty much stay out of the running of your business
- ✓ You don't have to give them a cut of your profits
- ✓ You don't have to give them a cut of your tax losses
- ✓ You repay the loan over time – once it's repaid, your obligations are over
- ✓ You may be able to deduct your interest payments as a business expenses
- ✓ The people who lend money are usually easier to figure out than people who buy ownership in your company

DISADVANTAGES

- ✓ Remember Goodfellas - "fuck you, pay me"; even if you don't have the cash, or you need your cash for payroll or anything else, you have to pay the bank, on time
- ✓ Your lender will probably stick "loan covenants" into your loan contract that say that they can call their loan if you get certain bad financial results or do something major without their approval
- ✓ Your lender may demand you sign a personal guaranty